Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

ANNUAL REPORT 2020

BROADENING OUR VISION

The name **Pacific Century Premium Developments** signifies the company's sharp focus on the high-end segment of property markets in the region.

In Chinese, the name takes on a more aspirational meaning that invites reflection on the company's origins and progress to the present day, as well as its ambitions for the future.

The structure of the name contains a reference to rivers and streams leading to the sea. According to ancient literature, all such waterways share that destiny and tend to be individually active and dynamic in making their way to the coast, where they finally achieve success together.

The Chinese version of PCPD's name also symbolises vigorous growth into prosperity and can be likened to acorns developing into oak trees, which are well known for their towering size, solid stature and longevity. Interestingly, this analogy is very similar to the popular English saying: 'Form tiny acorns do mighty oak trees grow'.

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CORPORATE PROFILE

Pacific Century Premium Developments Limited ("PCPD" or the "Group", SEHK: 00432) is part of PCCW Limited ("PCCW", SEHK: 00008). PCPD is principally engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

PROPERTY DEVELOPMENT AND INVESTMENT

PCPD completed the last phase of its signature project Residence Bel-Air at the end of 2008. This has become one of the city's most prestigious residential developments. The Group also developed ONE Pacific Heights, a prime residential project situated in the western part of Hong Kong Island.

The Group continues to explore investment opportunities around the world. In line with this strategy, the Group has drawn up long-term development plans for world-class all-season luxury resorts in Hokkaido, Japan and Phang Nga, Thailand. In Hokkaido, Japan, Park Hyatt Niseko, Hanazono has been in operation since early 2020 and the Group has started to plan for the next phase of development. As for the project in Phang Nga, Thailand, the Group commenced sales of the first batch of villas in 2019 and the golf course and golf club are expected to commence operations in mid-2021.

The Group acquired a site located in Sudirman CBD, Jakarta, Indonesia in 2013 and developed it into a premium Grade A office building. It has become one of the busiest multinational corporation hubs in that area.

In 2018, the Group acquired a prime site at 3–6 Glenealy in Central, Hong Kong. The Group intends to redevelop the site into a luxury residential development.

PROPERTY AND ASSET MANAGEMENT

Leveraging on its extensive experience and expertise, the Group provides property and asset management services for various kinds of premises.

STATEMENT FROM THE NON-EXECUTIVE CHAIRMAN

2020 turned out to be an extremely challenging year for many around the world, filled with uncertainties, lockdowns, travel restrictions and various changes caused by the COVID-19 pandemic. Entering 2021, whilst the pandemic continues to surge in different parts of the world, we have also witnessed the rolling out of vaccination programs in various countries.

Governments around the world strive to stay vigilant against the evolving situation and to seek a balance between suppressing the spread of COVID-19 and providing appropriate support for struggling business environment and paving the way for economic recovery. The World Bank has forecasted that the global economy is expected to expand 4% in 2021 after a contraction of 4.3% in 2020. Nevertheless, economists are not optimistic about the outlook for the global economy and the recovery may be slow and full of uncertainties.

During such difficult times, retail, tourism and food and beverage industries are the hardest hit sectors as they depend on the ability of people to travel and gather. The way we work and communicate have changed substantially with rapid digitisation. Businesses are investing more resources to focus on domestic market as well as contactless and digital sales & marketing given the current travel restrictions and social distancing challenges posed by the pandemic. The business model is undergoing a significant evolution now and will continue in the coming years.

Despite the wave of challenges, PCPD remains focused in our core businesses in premium Asia property and resort investment, development and management for 2021. We adopt a long term approach to steadily unlock the value of our assets whilst ensuring prudent financial management. The road ahead will be challenging, but we remain confident in the Hong Kong, Japan and Thailand economies and their long term future.

PCPD experienced a lot of challenges and changes internally and externally last year. I would like to express my heartfelt gratitude to our management team and all staff in Hong Kong and overseas. Finally, on behalf of PCPD, I thank our shareholders and stakeholders for their support over the years and I hope they will continue to support the Group as they did in the past.

Robert Lee
Non-Executive Chairman

February 3, 2021

STATEMENT FROM THE DEPUTY CHAIRMAN AND GROUP MANAGING DIRECTOR

The Group recorded a consolidated revenue of approximately HK$1,843 million for the financial year ended December 31, 2020. This represented an increase of approximately 82% compared to the Group's revenue of approximately HK$1,015 million for 2019.

The Group's consolidated operating loss amounted to approximately HK$462 million for 2020 compared to the consolidated operating loss of approximately HK$74 million for 2019.

The consolidated net loss attributable to equity holders of the company totalled approximately HK$749 million in 2020 compared to the consolidated loss of approximately HK$295 million for 2019. Basic loss per share was approximately 47.19 Hong Kong cents compared to the basic loss per share of 18.61 Hong Kong cents for 2019.

The Board of Directors has not recommended a final dividend for the year ended December 31, 2020.

In Hokkaido, Japan, our hospitality and resort businesses in Niseko have been affected by the COVID-19 pandemic with various travel restrictions and social distancing measures. The Park Hyatt Niseko, Hanazono has sought to focus on the domestic Japanese market and travellers.

In South East Asia, the Pacific Century Place, Jakarta, our premium commercial property located in Indonesia, has maintained a stable performance in the difficult environment. As for our development project in Phang Nga, Thailand, the construction of the golf and country club house has completed and the construction of an 18-hole golf course has been substantially completed. Depending on the COVID-19 pandemic situation, the golf course and golf club are expected to commence operations in mid-2021. We have commenced sales of the first batch of villas in 2019. Further sales and marketing activities are planned in 2021.

The Group is currently planning for the redevelopment of the 3–6 Glenealy site into a luxury residential development in the heart of Central, Hong Kong.

COVID-19 has spread around the world bringing unprecedented challenges to the global economy. As a result, the Group's businesses in Asia have experienced a slow down since last year. We have adjusted our resources and plans to limit the impact of the pandemic on our performance. As a forward-looking property developer with a prudent approach, we continue to plan our projects ahead to capture opportunities in the future.

Benjamin Lam
Deputy Chairman and Group Managing Director

February 3, 2021

KEY BUSINESS STRATEGIES

The Group is principally engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments. PCPD aims to create and enhance value for our shareholders through development projects, acquisitions and joint ventures.

For this purpose, we embrace two key business strategies:

1. ***Maintain long-term growth and profitability by developing and investing in premium-grade properties***

   We will focus on the development of our existing land bank in Hanazono, Niseko in Japan and Phang Nga, Thailand as well as our Glenealy site in Hong Kong. In addition, we are proactively seeking suitable premium development projects to generate favourable returns and sustain long-term growth for the Group.

2. ***Enhance our opportunities in real estate markets worldwide by leveraging on our experience, expertise, and brand established in developing and managing luxury residential, resort and hotel properties, and premium-grade buildings***

   We intend to replicate our success and maximize the strengths of our brand through new projects. We would explore opportunities to participate in projects with the benefit of economies of scale and deploy our strength, and to acquire and upgrade existing properties for investment or sale, whether through establishing joint ventures or by setting up real estate funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's discussion and analysis of the audited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited ("Company") and its subsidiaries (together with the Company, "Group") for the year ended December 31, 2020 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

In Jakarta, Indonesia, the occupancy of our premium commercial building, Pacific Century Place, Jakarta ("PCP Jakarta"), remained stable during the year. At the end of December 31, 2020, office space occupancy was at 81%. The gross rental income amounted to approximately HK$240 million for 2020, as compared to approximately HK$217 million in 2019.

Property development in Japan

In Hokkaido, Japan, 110 units of the Park Hyatt Niseko Hanazono Residences ("Branded Residences") have been sold or reserved to date with the majority of units handed over in early 2020.

The Group's revenue from its property development in Japan amounted to approximately HK$1,364 million for the year ended December 31, 2020, as compared to approximately HK$618 million in 2019.

Property development in Thailand

In Phang Nga, Thailand, the construction of the golf and country club house has completed and the construction of an 18-hole golf course has been substantially completed. Depending on the COVID-19 pandemic situation, the golf course and golf club are expected to commence operations in mid-2021. We have commenced sales of the first batch of villas in 2019. Further sales and marketing activities are planned in 2021.

Property development in Hong Kong

The Group is currently planning for the redevelopment of the 3–6 Glenealy site into a luxury residential development in the heart of Central, Hong Kong.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

Our hospitality and resort businesses in Niseko, Hokkaido have been affected by the COVID-19 pandemic with various travel restrictions and social distancing measures. The Park Hyatt Niseko, Hanazono has suspended part of its food and beverage facilities and recreational services depending on the demand and number of guests since last April to prevent the spread of the virus and save costs. Whilst the Park Hyatt Niseko, Hanazono has sought to focus on the domestic Japanese market and travellers, the COVID-19 situation in Japan remains unstable with various surges of reported cases.

As such, it has substantially affected the Group's hotel operations in Japan. The revenue amounted to approximately HK$84 million for the year ended December 31, 2020.

Given the uncertainty in the operating environment as a consequence of COVID-19 and the dampened global economic outlook of the hospitality industry which will take time to fully recover, the appraised value of Park Hyatt Niseko, Hanazono has decreased and an impairment loss of HK$229 million has been recognised for the year ended December 31, 2020.

Recreation and leisure operation in Japan

The Group's all-season recreational operation is located in Niseko, Hokkaido, Japan, which is one of the premium ski destinations in the world. There are various facilities and recreational activities operated by the Group, including "Hanazono EDGE" (a restaurant and entertainment centre), ski lifts, ski equipment rental, a ski school and snowmobile tours in the winter, and rafting tours and golfing in the summer.

Also severely affected by the COVID-19 impact on the tourism industry in Niseko which started from the end of February 2020, the business recorded a 21 per cent drop in the all-season recreational activities revenues from HK$111 million for the year ended December 31, 2019 to HK$88 million for the year ended December 31, 2020.

Property and facilities management

Hong Kong

The Group provides property management and facilities management services in Hong Kong and generated revenue of approximately HK$29 million for the year ended December 31, 2020, as compared to approximately HK$30 million for the corresponding period in 2019.

Other businesses

Other businesses of the Group mainly include property management services in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK$38 million for the year ended December 31, 2020, as compared to approximately HK$37 million for the corresponding period in 2019.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$1,843 million for the year ended December 31, 2020, representing an increase of approximately 82 per cent from approximately HK$1,015 million in 2019. The increase was mainly due to sales of properties in Japan.

The consolidated gross profit of the Group for the year ended December 31, 2020 was approximately HK$449 million, representing a decrease of approximately 18 per cent from approximately HK$546 million in 2019. For the year ended December 31, 2020, the gross profit margin was 24 per cent as compared to 54 per cent in 2019.

The general and administrative expenses were approximately HK$687 million for the year ended December 31, 2020, representing an increase of 11 per cent from approximately HK$620 million in 2019. The increase was mainly due to increases in hotel operating costs and building depreciation derived from the commencement of hotel operations in January 2020.

The consolidated operating loss for the year ended December 31, 2020 increased to approximately HK$462 million, as compared to approximately HK$74 million in 2019. Such increase in loss was mainly due to the adverse impact of COVID-19 on the Group's hotel operations in Niseko, Hokkaido, Japan and the one-off non-cash impairment loss on Park Hyatt Niseko, Hanazono. Given the uncertainty in the operating environment and the dampened global economic outlook of the hospitality industry which takes time to fully recover, management performed impairment assessment on the hotel property and a provision for impairment of HK$229 million was recognised in 2020.

The Group recorded higher finance costs of approximately HK$246 million for the year ended December 31, 2020 as compared to approximately HK$176 million for 2019. The increase was due to the decrease in capitalisation of borrowing costs as a result of the completion of Park Hyatt Niseko, Hanazono and Park Hyatt Niseko Hanazono Residences in Japan in late 2019. The consolidated net loss after taxation of approximately HK$749 million for the year ended December 31, 2020 was reported, as compared to approximately HK$295 million in 2019. Basic loss per share during the year under review was 47.19 Hong Kong cents, as compared to basic loss per share of 18.61 Hong Kong cents in 2019.

Current assets and liabilities

As at December 31, 2020, the Group held current assets of approximately HK$2,599 million (December 31, 2019: HK$4,683 million), mainly comprising properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash, inventories and prepayments, deposits and other current assets. The decrease in current assets is mainly attributable to (i) the decrease in properties under development/held for sale from approximately HK$1,421 million in December 31, 2019 to approximately HK$279 million due to the recognition of cost of sales upon the handover of Branded Residences; and (ii) the decrease in restricted cash and cash and cash equivalents due to the settlement of construction costs and repayment short term bank borrowing. Sales proceeds held in stakeholders' accounts amounted to approximately HK$504 million as at December 31, 2020 (December 31, 2019: HK$506 million). The level of restricted cash decreased to approximately HK$113 million as at December 31, 2020 (December 31, 2019: HK$594 million).

As at December 31, 2020, the Group's total current liabilities amounted to approximately HK$2,003 million, as compared to approximately HK$3,462 million as at December 31, 2019. The decrease was mainly due to the repayment of certain bank borrowings and settlement of construction costs during the year. As at December 31, 2020, the current ratio was 1.30 (December 31, 2019: 1.35).

Capital structure, liquidity and financial resources

As at December 31, 2020, the Group's borrowings amounted to approximately HK$8,203 million (December 31, 2019: HK$8,900 million). The balance as at December 31, 2020 represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$700 million issued (equivalent to approximately HK$5,427 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,200 million (equivalent to approximately HK$839 million) under all JPY loan facilities together with the principal amount of HK$1,978 million under the Hong Kong dollar loan facilities.

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued the US$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On October 3, 2019, further guaranteed notes (the "Future Notes") of US$130 million were issued by PCPD Capital. The Notes and Future Notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and the Company.

On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028"). The maturity date of the JPY Facility 2028 is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached.

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million. On March 20, 2020, the loan was extended with maturing date in March 2021 ("HK$ loan 2021"). Such facility is payable on demand and secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company.

On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million. The facilities comprise (1) a JPY10,000 million facility for the construction of Branded Residences ("JPY Facility 2021") which matured on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. The Borrower fully repaid the JPY Facility 2021 in February 2020. The JPY Facility 2023 is secured by certain land and property and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary of the Company (the "Hotel Operator"). The Borrower and the Hotel Operator are subject to certain financial ratio covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached.

On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK$1,170 million ("HK$ Loan 2024"). The maturity date of the HK$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached.

As at December 31, 2020, the net debt-to-equity ratio was 210.4 per cent (as at December 31, 2019: 188.2 per cent). The net debt is calculated from the aggregated principal amounts of borrowings of HK$8,244 million less the aggregate of cash and cash equivalents of HK$1,202 million.

The Group's borrowings were denominated in US dollars, Hong Kong dollars, and Japanese Yen while the cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at December 31, 2020, the assets of the Group in Indonesia, Thailand and Japan represented approximately 34 per cent, 8 per cent and 31 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash generated from operating activities for the year ended December 31, 2020 was approximately HK$646 million, as compared to cash used in operating activities of approximately HK$82 million in 2019. The increase in cash generated from operating activities was mainly due to the proceeds from the sale of properties received during the year.

Income tax

The Group's income tax for the year ended December 31, 2020 were approximately HK$50 million, as compared to approximately HK$65 million in 2019. The decrease was mainly due to the reduction of withholding tax charged on the intercompany loan interest.

Security on assets

As at December 31, 2020, certain assets of the Group with an aggregated carrying value of approximately HK$8,336 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2019: HK$10,323 million).

Contingent liabilities

During the year ended December 31, 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia received a tax assessment notice ("2018 Assessment") from the ITO in relation to the creditability of VAT arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK$100.6 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed by the ITO during 2017, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million (approximately HK$100.6 million) and a penalty of IDR183,834.4 million (approximately HK$100.6 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK$201 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings during the year ended December 31, 2020 and the process is still ongoing. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at December 31, 2020. No provision of impairment has been recognised for the VAT balance as at December 31, 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2020, the Group employed a total number of 986 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas) (2019: 1,123 staff). The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The Company operates a share option scheme which was adopted by its shareholders at the Company's annual general meeting held on May 6, 2015, and became effective on May 7, 2015 following its approval by PCCW's shareholders ("2015 Scheme"). The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. Under the 2015 Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may, at its absolute discretion, select.

DIVIDENDS AND DISTRIBUTION

The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2020 (2019: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended December 31, 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The register of members and the register of noteholders of bonus convertible notes of the Company will be closed from April 29, 2021 to May 5, 2021, both days inclusive, during which period no transfer of shares and bonus convertible notes of the Company will be effected.

(a) In the case of shares of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 28, 2021; and

(b) In the case of bonus convertible notes of the Company, in order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, the notice of conversion accompanied by the relevant note certificate and payment of the necessary amount should be surrendered to and deposited with the Company's registrar in respect of the bonus convertible notes, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for conversion into shares of the Company not later than 4:30 p.m. on March 12, 2021.

OUTLOOK

2020 turned out to be an extremely challenging year for many around the world, filled with uncertainties, lockdowns, travel restrictions; and various changes caused by the COVID-19 pandemic. Entering 2021, whilst the pandemic continues to surge in different parts of the world, we have also witnessed the rolling out of vaccination programs in various countries. Governments around the world strive to stay vigilant against the evolving situation and to seek a balance between suppressing the spread of COVID-19 and providing appropriate support for struggling business environment and paving the way for economic recovery.

The Group's businesses in Asia have experienced a slow down since last year. We have adjusted our resources and plans to limit the impact of the pandemic on our performance. Despite the waves of challenges, PCPD's core businesses in Asian premium property investment, development and management remain our dedicated focus for 2021. We have already started our discussion with local teams for the new development projects in Japan and Hong Kong. As for the project in Thailand, depending on the COVID-19 situation, the golf course and golf club are expected to commence operations in mid-2021. Further sales and marketing activities are planned in 2021.

As a forward-looking property developer with a prudent approach, we continue to plan our projects ahead to capture opportunities in the future.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Mr Li, aged 54, is an Executive Director of Pacific Century Premium Developments Limited ("PCPD"), the Chairman of PCPD's Executive Committee of the board of directors ("Board"), a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in May 2004. He was also the Chairman of PCPD from June 2004 to May 2019. He also holds positions in the following companies:

(1) Chairman and Executive Director of PCCW Limited ("PCCW");
(2) Chairman of PCCW's Executive Committee;
(3) a member of PCCW's Nomination Committee of the PCCW board;
(4) Executive Chairman and Executive Director of HKT Limited ("HKT") and HKT Management Limited, the trustee-manager of the HKT Trust;
(5) Chairman of HKT's Executive Committee;
(6) a member of HKT's Nomination Committee of the HKT board;
(7) Chairman and Chief Executive of the Pacific Century Group;
(8) Chairman and Executive Director of Singapore-based Pacific Century Regional Developments Limited ("PCRD"), and the Chairman of PCRD's Executive Committee; and
(9) a Director of certain FWD group companies.

Mr Li is a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

Benjamin LAM Yu Yee

Deputy Chairman and Group Managing Director

Mr Lam, aged 59, is an Executive Director, Deputy Chairman and Group Managing Director of PCPD, a member of PCPD's Executive Committee of the Board and a director of certain PCPD subsidiaries. He became a director of PCPD in May 2019. He served PCPD as Chief Operating Officer in September 2004 and was Deputy Chief Executive Officer, Chief Financial Officer and Executive Director from September 2007 to November 2014.

Prior to joining PCPD in September 2004, Mr Lam was the Chief Financial Officer of Asia Pacific Resources International Limited in Singapore in 2003 and was appointed as the President of China Operations in April 2004. Between 1999 to 2003, Mr Lam was an Executive Director and Group Chief Financial Officer of Sino Land Company Limited ("Sino Land"). Prior to joining Sino Land, he had worked in various financial institutions for over 13 years and had substantial experience in corporate finance and investment banking.

Mr Lam holds a Bachelor of Science degree in Industrial Engineering from The University of Hong Kong and a Master of Business Administration degree from the Manchester Business School.

HUI Hon Hing, Susanna

Ms Hui, aged 56, is an Executive Director of PCPD. She became a director of PCPD in May 2018. She was the Chief Financial Officer of PCPD from July 2009 to November 2011. She is and has been the Group Chief Financial Officer of PCCW since April 2007 and an Executive Director of PCCW since May 2010. She is a member of PCCW's Executive Committee. Ms Hui is also the Group Managing Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust and a member of HKT's Executive Committee. Prior to her appointment as the Group Chief Financial Officer of PCCW, Ms Hui was the Director of Group Finance of the PCCW group from September 2006 to April 2007, and the Director of Finance of the PCCW group with responsibility for the telecommunications services sector and regulatory accounting. She was also the Group Chief Financial Officer of HKT from November 2011 to August 2018.

Prior to joining Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

LEE Chi Hong, Robert

Non-Executive Chairman

Mr Lee, aged 69, is a Non-Executive Director and the Non-Executive Chairman of PCPD. He became a director of PCPD in May 2004. He was also the Deputy Chairman and Chief Executive Officer of PCPD until May 2019. He is an Executive Director of PCCW and a member of PCCW's Executive Committee and also holds directorships in PCCW group companies.

Mr Lee was previously an Executive Director of Sino Land, at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land, Mr Lee was a senior partner at Deacons in Hong Kong, where he specialized in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, he was a solicitor with the London firm Pritchard Englefield & Tobin. He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980.

Mr Lee had also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

Mr Lee is a member of the International Council of the Louvre as well as an Ambassador for the Louvre in China.

Mr Lee graduated from Cornell University in the United States in 1975 with a bachelor's degree in Political Science.

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 72, is a Non-Executive Director of PCPD, and a member of PCPD's Nomination Committee of the Board. He became a director of PCPD in June 2004.

Dr Zeman is the Chairman of Lan Kwai Fong Group, a major property owner and developer in Hong Kong's Lan Kwai Fong, one of Hong Kong's popular tourist attractions and entertainment districts. Dr Zeman is also an Independent Non-Executive Director of Sino Land, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited, Television Broadcasts Limited, Fosun Tourism Group and a board member of The "Star" Ferry Company, Limited. Besides all the board appointments in Hong Kong, Dr Zeman is also the Non-Executive Chairman and Independent Non-Executive Director of Wynn Macau, Limited, a prominent gaming company in Macau.

Having lived in Hong Kong for over 50 years, Dr Zeman has been very involved in Government services as well as community activities. He is the appointed member of the General Committee of the Hong Kong General Chamber of Commerce, a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario. In June 2015, Dr Zeman was appointed as a board member of the Airport Authority of Hong Kong. Dr Zeman is also a board member of The Hong Kong Entrepreneurs Fund of Alibaba Group which was launched in November 2015. In March 2018, Dr Zeman was appointed as a member of the Hong Kong Special Administrative Region ("HKSAR") Chief Executive's Council of Advisers on Innovation and Strategic Development and a member of HKSAR Human Resources Planning Commission. Dr Zeman was the Chairman of Hong Kong Ocean Park from July 2003 to June 2014 and he is now the honorary advisor to the Ocean Park.

Dr Zeman holds the Honorary Doctorate of Laws Degree conferred by The University of Western Ontario, Canada and the Honorary Doctorates of Business Administration conferred by City University of Hong Kong, The Hong Kong University of Science and Technology as well as The Open University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 68, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Audit Committee of the Board and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

Prof Wong is Professor of Economics at The University of Hong Kong. He was awarded the Silver Bauhinia Star in 1999 by the Government of the HKSAR for his contributions in education, housing, industry and technology development. In addition, Prof Wong was appointed a Justice of the Peace in July 2000. He studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

Prof Wong is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

(1) Great Eagle Holdings Limited; and
(2) Sun Hung Kai Properties Limited.

Prof Wong was an Independent Non-Executive Director of Orient Overseas (International) Limited from December 2003 to May 2019.

CHIANG Yun

Ms Chiang, aged 53, is an Independent Non-Executive Director of PCPD, the Chairlady of PCPD's Remuneration Committee of the Board and a member of PCPD's Audit Committee and Nomination Committee of the Board. She became a director of PCPD in May 2015.

Ms Chiang has over 27 years of private equity investment experience and is now the founding managing partner of Prospere Capital Limited. She was previously a founding managing partner of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group ("PAG"). Prior to joining PAG, she was a vice president in AIG Investment Corporation. She is currently an Independent Non-Executive Director, a member of Audit Committee and Nomination Committee of the board of directors of Sands China Ltd. and Goodbaby International Holdings Limited ("Goodbaby") which are listed in Hong Kong as well as a member of Remuneration Committee of the board of directors of Goodbaby. Ms Chiang is also a Non-Executive Director of Yantai Changyu Pioneer Wine Company Limited, which is listed in Shenzhen. Ms Chiang was an Independent Non-Executive Director, a member of Audit Committee and Health, Safety and Security Committee of the board of directors of Merlin Entertainments Plc..

Ms Chiang obtained a Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University in 1992 and an Executive Master of Business Administration degree from The Kellogg Graduate School of Management of North-western University and The Hong Kong University of Science and Technology in 1999.

Dr Vince FENG

Dr Feng, aged 48, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee of the Board. He became a director of PCPD in March 2018.

Dr Feng is the Cofounder and Managing Director of Ocean Arete Limited, an investment manager based in Hong Kong that manages the global macro hedge fund Arete Macro Fund. Dr Feng is also a Non-Executive Independent Director of TIH Limited (formerly known as Transpac Industrial Holdings Limited), a listed company in Singapore, where he also serves as the Chairman of the Remuneration Committee and a member of the Audit Committee and Board Investment Committee. Dr Feng also serves as a director of various funds and asset management firms.

Dr Feng has been working in the financial services industry since 1994. Prior to founding Arete Macro Fund in 2012, Dr Feng was a Cofounder and Managing Director of Ocean Capital Management Limited from 2009 to 2010. Dr Feng had also previously served as a Managing Director of General Atlantic LLC, a US$30 billion global private equity firm focused on growth sectors, overseeing their North Asian operations and serving on the boards of numerous technology companies in Greater China, such as Lenovo, Digital China, Ren Ren, Data Systems, and Vimicro. Prior to that, Dr Feng was also a financial analyst with Goldman Sachs (Asia) LLC in Hong Kong, working in the Direct Private Investing (formerly PIA) and Mergers and Acquisitions areas.

Dr Feng received his Doctor of Philosophy (PhD) in Economic Sociology and Bachelor of Arts (BA) degree (Honors) in Social Studies, both from Harvard University, and his Master of Business Administration (MBA) degree from Stanford University.

CORPORATE GOVERNANCE REPORT

Pacific Century Premium Developments Limited ("PCPD" or "Company") and its subsidiaries ("Group") have made continued efforts to incorporate the key elements of sound corporate governance into its management structure and internal procedures. The Group is committed to high standards of ethics and integrity in all aspects of business and to ensuring that its affairs are conducted in accordance with applicable laws and regulations and for the benefits and in the interests of shareholders of the Company.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") during the year ended December 31, 2020.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions, namely the PCPD Code of Conduct for Securities Transactions ("PCPD Code"), which applies to all directors and employees of the Company on terms no less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiries with all the directors of the Company and they confirmed that they had complied with the requirements under the PCPD Code for the year ended December 31, 2020.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company ("Board") comprises three executive directors, two non-executive directors and three independent non-executive directors. The biographies of all the directors as of the date of this report are set out on pages 11 to 14 of this annual report.

The Board is responsible for the management of the Company. Its key responsibilities include formulation of overall strategies of the Group, setting targets for management and supervision of management performance. The Board confines itself to making broad policy decisions and exercising its reserved powers, as set out below:

1. those functions and matters as set out in the terms of reference of various committees of the Board (as amended from time to time) for which approval of the Board must be sought from time to time;

2. those functions and matters for which approval of the Board must be sought in accordance with the Group's internal policies (as amended from time to time);

3. consideration and approval of financial statements in interim reports and annual reports, announcements and press releases of interim and final results;

4. consideration of dividend policy and dividend amounts; and

5. monitoring of the corporate governance practices and procedures; and maintenance of appropriate and effective risk management and internal control systems of the Group to ensure compliance with the applicable rules and regulations.

BOARD OF DIRECTORS — CONTINUED

The executive committee of the Board ("Executive Committee") is responsible for considering in detail the policy decisions of the Board and implementing such decisions.

Mr Lee Chi Hong, Robert is the Non-executive Chairman of the Board and Mr Benjamin Lam Yu Yee is the Group Managing Director of the Company. The role of the Non-executive Chairman is separated from that of the Group Managing Director. The Non-executive Chairman is responsible for ensuring that the Board functions effectively, for providing leadership for the Board in setting goals and objectives for the Company and for ensuring that good corporate governance practices and procedures are established and enforced. The Group Managing Director is responsible for the day-to-day management of the Group's businesses and operations and for ensuring effective implementation of the Group's strategies. Mr Benjamin Lam Yu Yee is also the Deputy Chairman of the Board.

All of the directors have full access to all the relevant information and have been furnished with relevant information in a timely manner, including monthly updates from the management, reports from each committee of the Board and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors are also entitled to seek independent professional advice with costs to be borne by the Company.

All directors have confirmed that they have given sufficient time and attention to the Company's affairs. The Company has requested that each director shall disclose to the Company at the time of his/her appointment the number and nature of offices held in public companies or organisations and other significant commitments and with an indication of the time involved and disclose in a timely manner any changes thereto.

The Board has a structured process to evaluate its own performance and directors' contribution on an annual basis including a self-evaluation questionnaire which has been completed by each director. The objectives of the evaluation are to assess whether the Board and the committees, as well as the directors have adequately and effectively performed its/their roles and fulfilled its/their responsibilities; and have devoted sufficient time commitment to the Company's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Board and committees continue to operate effectively and that the performance of the directors and time commitment in discharging their duties as directors of the Company for the year ended December 31, 2020 were generally satisfactory.

BOARD OF DIRECTORS — CONTINUED

The directors acknowledge their responsibilities for preparing the financial statements for each financial year, which give a true and fair view of the financial position of the Company and the Group and of the financial performance and cash flows of the Group for the year in accordance with the Hong Kong Financial Reporting Standards, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules. In preparing the financial statements for the year ended December 31, 2020, the directors and the Chief Financial Officer have selected suitable accounting policies and applied them consistently, made judgements and estimates that were prudent and reasonable, stated the reasons for any significant departure from applicable accounting standards in Hong Kong and prepared the financial statements on a going concern basis. The directors and the Chief Financial Officer are responsible for keeping proper accounting records which would reflect with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The statement of the external auditor of the Company relating to their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 60 to 67.

At least one-third of the members of the Board are independent non-executive directors and hence the requirement under Rule 3.10A of the Listing Rules is complied with. In addition, the qualification and experience of Ms Chiang Yun, one of the independent non-executive directors of the Company, fulfil the requirement under Rule 3.10(2) of the Listing Rules; therefore, the requirement under Rule 3.10 of the Listing Rules is complied with. The Company has received from each of its independent non-executive directors a written confirmation confirming his/her independence to the Company and the Company considers that they are independent in accordance with Rule 3.13 of the Listing Rules.

Each of the non-executive directors of the Company is appointed for a term of two years from the date of his/her appointment or re-election. However, all the directors of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company and in compliance with the CG Code. The Company has issued formal letters of appointment to its directors setting out the key terms of their appointments as required under the Listing Rules.

Independent non-executive directors are identified in all of the corporate communications in which the names of the directors are disclosed. An updated list of the Company's directors identifying the independent non-executive directors and the roles and functions of the directors is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEX").

In the year ended December 31, 2020, four Board meetings were held. The attendance record of individual directors at the board meetings is set out in the table on page 28.

EXECUTIVE COMMITTEE

The Executive Committee operates as a general management committee with the overall delegated authority from the Board. This ensures that decisions can be taken quickly to enable the Group to seize opportunities in the fast-moving business environment. The Executive Committee is responsible for determining Group strategies, reviewing trading performance, ensuring adequate funding, examining major investment opportunities and monitoring management performance. The authority and duties of the Executive Committee are set out in writing in its terms of reference.

Current members of the Executive Committee are:

1. Li Tzar Kai, Richard *(Chairman)*

2. Benjamin Lam Yu Yee

REMUNERATION COMMITTEE

The remuneration committee of the Board ("Remuneration Committee") is responsible for ensuring that formal and transparent procedures are in place for developing the remuneration policy of the Company, for overseeing the remuneration packages of individual executive directors and senior management, and for providing effective oversight and administration of the share option scheme of the Company. The authority and duties of the Remuneration Committee are set out in writing in its terms of reference which specify, among other things, that it must comprise at least three members, and the majority of whom shall be independent non-executive directors; and the Chairman of the Remuneration Committee must be an independent non-executive director of the Company. The terms of reference are posted on the websites of the Company and HKEX.

The Company has adopted the model by which determination of the remuneration packages of individual executive directors and senior management is delegated to the Remuneration Committee. The Remuneration Committee is provided with sufficient resources to perform its duties and can seek advice from remuneration consultants or other independent external professional advisers if necessary.

The Remuneration Committee is chaired by an independent non-executive director. Current members of the Remuneration Committee are:

1. Chiang Yun *(Chairlady)*

2. Li Tzar Kai, Richard

3. Prof Wong Yue Chim, Richard

The majority of the members of the Remuneration Committee are independent non-executive directors.

In the year ended December 31, 2020, one Remuneration Committee meeting was held. The attendance record of individual directors at the committee meeting is set out in the table on page 28.

REMUNERATION COMMITTEE — CONTINUED

The following is a summary of the work performed by the Remuneration Committee in 2020:

A. reviewed the remuneration of certain executive directors for 2020 and approved their 2019 incentive bonus and performance incentives in 2020;

B. reviewed the fees and remuneration of the non-executive directors for 2020 and made recommendations to the Board for such to be approved, if thought fit; and

C. reviewed the terms of reference of the Remuneration Committee and concluded that no revision was required.

Details of the remuneration of each director are set out in the consolidated financial statements on pages 98 to 100.

NOMINATION COMMITTEE

The nomination committee of the Board ("Nomination Committee") is responsible for ensuring that a set of fair and transparent procedures is in place for the appointment and re-appointment of directors to the Board. The authority and duties of the Nomination Committee are set out in writing in its terms of reference which specify, among other things, that it must comprise at least three members, the majority of whom shall be independent non-executive directors and the Chairman of the Nomination Committee can be either the Chairman of the Board or an independent non-executive director of the Company. The terms of reference are posted on the websites of the Company and HKEX.

The Company has formal procedures for the appointment of a new director to the Board, and the appointment process is fair and transparent. The Nomination Committee reviews the structure, size, composition and the balance of skills, knowledge, experience and diversity of perspectives of the Board, identifies suitably qualified candidates to become Board members and makes recommendations to the Board on the selection of candidates nominated for directorships and on succession planning for directors. During the process, the Nomination Committee makes the selection of candidate based on merits and with due regard to the benefits of diversity he/she can bring to the Board.

The Board adopted a board diversity policy ("Board Diversity Policy") on February 25, 2013 with the primary objective of enhancing the effectiveness of the Board and the corporate governance standard of the Group. The Company recognises the importance of having a diverse team of Board members, which is an essential element in maintaining an effective Board. The Nomination Committee has been delegated the authority to review and assess the diversity of the Board by way of considering all aspects of diversity including but not limited to, age, cultural and educational background, gender and ethnicity, and professional experience, skills and knowledge with an objective of maintaining an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives on the Board.

NOMINATION COMMITTEE — CONTINUED

The Nomination Committee will review and access the Board Diversity Policy at least annually and make recommendation to the Board regarding appointment and re-appointment of directors. The Nomination Committee will give consideration to the Board Diversity Policy when identifying and selecting suitably qualified candidates. Selection of candidates will be based on a range of diversity perspectives, as well as professional experience, skills and knowledge, and how the candidate would contribute to the diversity of the Board. The diverse culture helps promote critical thinking and foster constructive debate, thereby enabling the Board in attaining its strategic objectives and achieving sustainable and balanced development for the Group.

The Board adopted a nomination policy on November 13, 2018 which sets out the procedures and criteria to be used by the Nomination Committee for the selection, appointment and re-appointment of directors to the Board. In assessing the suitability of proposed candidate, the Nomination Committee has considered key factors which include but not limited to accomplishment, expertise, experience and diversity that the candidate can bring to the Board in all its aspects and the candidate's commitment in respect of available time and relevant interest. The Nomination Committee shall make recommendations for the Board's consideration and approval in respect of candidates to stand for election at a general meeting or for filling a casual vacancy. The Board has the ultimate responsibility for selection and appointment of directors as permitted in the Company's Bye-laws and shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee is chaired by an independent non-executive director. Current members of the Nomination Committee are:

1. Dr Vince Feng *(Chairman)*

2. Li Tzar Kai, Richard

3. Prof Wong Yue Chim, Richard

4. Dr Allan Zeman

5. Chiang Yun

The majority of the members of the Nomination Committee are independent non-executive directors.

The Nomination Committee is provided with sufficient resources to perform its duties and can seek advice from independent external professional advisers if necessary. In the year ended December 31, 2020, one Nomination Committee meeting was held. The attendance record of individual directors at the committee meeting is set out in the table on page 28.

The following is a summary of the work performed by the Nomination Committee in 2020:

A. reviewed and assessed the independence of all independent non-executive directors and advised the Board as to which of the directors were due to retire pursuant to the applicable laws of Bermuda, the Bye-laws of the Company and the CG Code and recommended the list of retiring directors for re-election at the 2020 annual general meeting;

B. annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board based on the Board Diversity Policy according to the Listing Rules; and with a recommendation to the Board for approval; and

C. reviewed the terms of reference of the Nomination Committee and concluded that no revision was required.

NOMINATION COMMITTEE — CONTINUED

At its meeting on February 3, 2021, the Nomination Committee reviewed the structure, size and composition and the balance of skills, knowledge, experience and diversity of perspectives of the Board and formed the view that the Board has a balance of skills, knowledge, experience and diversity of perspectives which was appropriate for the business of the Company for the year ended December 31, 2020, and had made recommendation to the Board for approval of the same. In performing its duties, the Nomination Committee can seek advice from outside legal counsels or other independent professionals at the Company's expenses if necessary.

AUDIT COMMITTEE

The audit committee of the Board ("Audit Committee") is responsible for ensuring (i) the objectivity and credibility of the Group's financial reporting; (ii) that the directors have exercised due care, diligence and skills prescribed by law when presenting results to the shareholders; (iii) that effective systems of risk management and internal controls are in place; (iv) that good corporate governance standards and practices are maintained by the Group; and (v) the Company's general compliance with regulatory obligations. The authority and duties of the Audit Committee are set out in writing in its terms of reference which are posted on the websites of the Company and HKEX.

The major duties of the Audit Committee include (i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, compensation and supervision of the external auditor and to ensure the independence of the external auditor by reviewing the fees for audit and non-audit services provided to the Group by the external auditor in accordance with its adopted procedures; and (ii) maintaining of good corporate governance standards and practices and the whistleblower policy of the Group.

In addition, the Audit Committee will (i) evaluate the adequacy and review the effectiveness of the Company's disclosure controls and processes for financial reporting; (ii) review the design, implementation and monitoring of the Group's risk management and internal control systems on an ongoing basis; (iii) consider the changes in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (iv) consider the scope and quality of management's ongoing monitoring of risks and of the internal control systems; and (v) consider significant control failings or weaknesses that have been identified during the period.

The Audit Committee also reviews the Group's financial statements and internal financial reports.

Current members of the Audit Committee are:

1. Prof Wong Yue Chim, Richard *(Chairman)*

2. Chiang Yun

3. Dr Vince Feng

AUDIT COMMITTEE — CONTINUED

All members of the Audit Committee are independent non-executive directors.

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditor and external auditor and reviews their reports. In the year ended December 31, 2020, two Audit Committee meetings were held. The attendance record of individual directors at the committee meetings is set out in the table on page 28.

The following is a summary of the work performed by the Audit Committee in 2020:

A. reviewed the financial statements of the Company for the year ended December 31, 2019 and the related annual results announcement and made recommendations to the Board that the same be approved;

B. reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the 2020 annual general meeting;

C. reviewed the financial statements of the Company for the six months ended June 30, 2020 and the related interim results announcement and made recommendations to the Board that the same be approved;

D. reviewed external auditor's reports to the Audit Committee for the year ended December 31, 2019 and the six months ended June 30, 2020 and their terms of engagement, communications plan and audit plan for the Group for the financial year ended December 31, 2020;

E. reviewed various internal audit reports;

F. reviewed risk management report and effectiveness of risk management and internal control systems;

G. reviewed the results of the directors' self-evaluation and the Board's self-assessment questionnaire to evaluate the performance of the Board;

H. reviewed the terms of reference of the Audit Committee and concluded that no revision was required;

I. reviewed the corporate governance report of the Company for the year ended December 31, 2019;

J. reviewed the fees for audit and non-audit services provided by the external auditor;

K. reviewed the Group's continuing connected transactions and external auditor's report thereon; and

L. met with the external auditor in the absence of management.

Subsequent to the year end, the Audit Committee reviewed the consolidated financial statements for the year ended December 31, 2020 and the related annual results announcement and auditor's report and the corporate governance report, and made recommendations to the Board that the same be approved.

SUSTAINABILITY COMMITTEE

The sustainability committee of the Board ("Sustainability Committee") reports to the senior officers of the Company, including the Group Managing Director, the Project Director and the Chief Financial Officer, and the Board. It comprises all department heads or representatives of the Company and Head of Group Risk Management and Compliance of the Company's parent company, PCCW Limited.

The Sustainability Committee ensures that the Company operates in a manner that enhances its positive contribution to society and the environment. It is also responsible for reviewing the Company's sustainability strategy, principles and policies; setting guidance, direction and overseeing practices and procedures; and monitoring progress on the Company's sustainability and related activities.

EXTERNAL AUDITOR

The external auditor of the Group is PricewaterhouseCoopers. During the year ended December 31, 2020, the total fees in respect of audit and non-audit services provided by PricewaterhouseCoopers (which for this purpose included any entity that is under the common control, ownership or management of the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm, either nationally or internationally) amounted to approximately HK$4.7 million.

The significant non-audit services covered by these fees included the following:

Nature of service	Fees paid (HK$ million)
Non-statutory review services	0.7

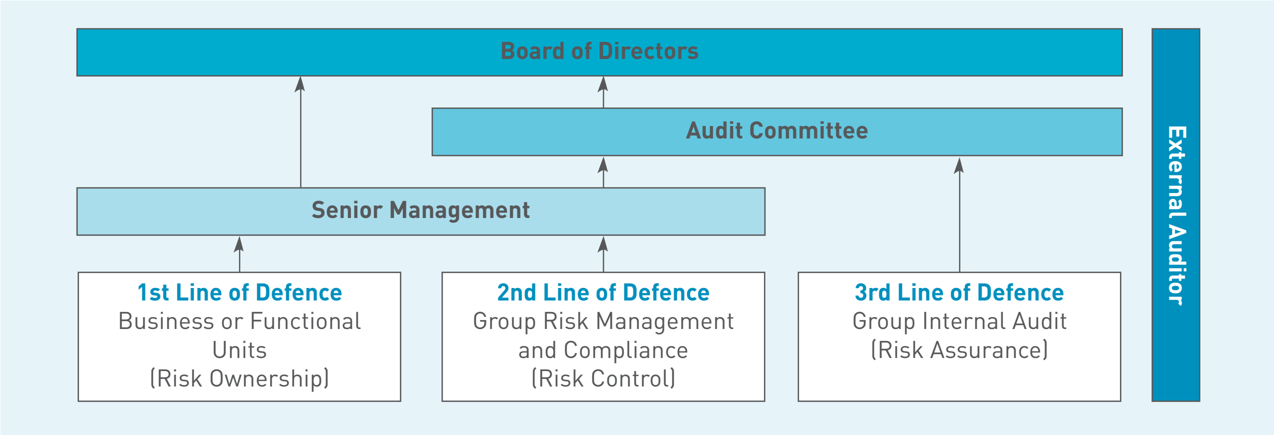
RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Company and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Company's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Company has established an organizational structure with defined levels of responsibility and reporting procedures. Group Risk Management and Compliance ("GRM&C") and Group Internal Audit ("GIA") assist the Board and/or the Audit Committee in the review of the effectiveness of the Company's risk management and internal control systems on an ongoing basis. The directors through the Audit Committee are kept regularly apprised of significant risks that may impact the Company's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact the Company's reputation and performance are appropriately identified and managed. The systems and internal controls can only provide reasonable, though not absolute, assurance against material misstatement or loss, as they are designed to mitigate, rather than eliminate the risk of failure to achieve business objectives.

The Company's enterprise risk management framework is guided by the "Three Lines of Defence" operating model as shown below:



The first line functions are responsible for identifying and managing risk as part of their accountability for achieving business and operational objectives where they also design and execute the internal control measures on a daily basis. Being the risk owners, the first line functions have the responsibility to review and update the risk profiles on an ongoing basis which are measured against a pre-defined set of likelihood and impact criteria.

The second line functions provide the policies, frameworks, tools, techniques and advisory support to enable risk and compliance oversight of the first line functions while ascertaining the relevant embedded controls are effective, as well as ensuring the consistency of categorization and measurement of risk attributes. The risk management process integrates both top-down and bottom-up approach to enable the identification, evaluation and management of risks. Mitigation controls are recognized where opportunities for the enhancement of the existing control environment will be implemented. This process is reviewed regularly by the Audit Committee and GRM&C such that any material findings will be reported to the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS — CONTINUED

The third line functions provide assurance to the Board, executive and senior management of the Company. This assurance work covers how effectively the Company assesses and manages its risks and will include assurance on the effectiveness of the first and second line functions.

GRM&C, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Company, reports to the Audit Committee at each regularly scheduled meeting including amongst other things, significant risks of the Company and the appropriate mitigation and/or transfer of identified risks. The operating units of the Company, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to GRM&C on a half-yearly basis.

GIA reports to the Audit Committee at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

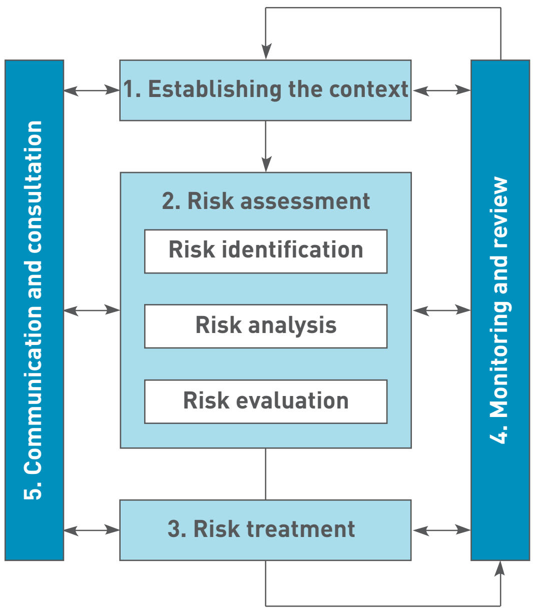
GIA adopts a risk-and-control-based audit approach. The annual work plan of GIA covers major activities and processes of the Company's operations, businesses and service units. Special reviews are also performed at management's request. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation and their progress are reported to the Audit Committee periodically.

GIA provides independent assurance to the Board, the Audit Committee and the executive management of the Company on the adequacy and effectiveness of internal controls for the Company. The Head of GIA reports directly to the Chairman of the Audit Committee, the Group Managing Director and the Chief Financial Officer of the Company.

The senior management of the Company, supported by the GRM&C and GIA, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and for providing regular reports to the Board and/or the Audit Committee on the effectiveness of these systems.

RISK MANAGEMENT AND INTERNAL CONTROLS — CONTINUED

The Company adopts the principles of ISO 31000:2018 Risk management — Guidelines as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Company's significant risks:



1	GRM&C establishes common risk language and risk assessment criteria for the Company.
2	Business Units identify the risks which may potentially impact the achievement of their business objectives, and analyze and evaluate the significance of such risks.
3	Business Units assess the adequacy of existing controls, determine and implement treatment plans where risk mitigation is actionable.
4, 5	Business Units monitor risk mitigating activities. GRM&C tracks the progress of risk mitigating activities; reports the consolidated view of risks regularly to Audit Committee and other sub-committees as appropriate; and share risk knowledge across Business Units to enhance the risk management standards of the Company. GIA reports regularly to the Board to provide independent assurance on the effectiveness of risk management function.

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Company to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices.

The Company has embedded its risk management systems into the daily operating practices. On a continuous basis, the respective operating units of the Company review and assess the status of potential risks which may impact their business objectives and/or those of the Company. This review process includes assessment as to whether the existing system of internal controls continues to remain relevant and effective, adequately addresses potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units risk registers for monitoring and incorporated into the Company's consolidated repository for analysis of potential strategic implications and for regular reporting to the senior management and directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving a member of the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the Head of GIA to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

The Company regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

RISK MANAGEMENT AND INTERNAL CONTROLS — CONTINUED

The Company has implemented processes to undertake extensive detailed testing of its internal controls, as well as annual certification as to these matters by the management of the Company to support its assessment of the effectiveness of its risk management and internal control systems.

During 2020, GRM&C has worked closely with the operating units, senior management, and the directors to enhance the enterprise risk management systems. Such activities have included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated directors on the Company's enterprise risk management system's design, operation, and findings. GRM&C has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the directors in the review of the effectiveness of the risk management and internal control systems of the Company during the year.

During 2020, GIA conducted selective reviews of the effectiveness of the systems of risk management and internal controls of the Company over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the Company was required to evaluate its internal controls through the process of updating its risk register. These results were assessed by GRM&C and reported to the Audit Committee, which then reviewed and reported the same to the Board. GIA will review the risk register as part of its annual work plan to determine the effectiveness of the risk assessments.

The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations and considered the enterprise risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

In addition to the review of risk management and internal controls undertaken within the Company, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

Further information on risk management and internal controls adopted and implemented by the Group is available under the "Corporate Governance" section on the Company's website.

ATTENDANCE AT MEETINGS

All directors actively participate in the Company's business. The attendance records of all directors for the Board meetings, meetings of the Board committees, annual general meeting and special general meeting during the year ended December 31, 2020 are set out below:

	Meetings attended/held in 2020					
Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**	**Special General Meeting**
Executive directors						
Li Tzar Kai, Richard	4/4	N/A	1/1	1/1	1/1	1/1
Benjamin Lam Yu Yee *(Deputy Chairman and Group Managing Director)*	4/4	N/A	N/A	N/A	1/1	1/1
James Chan *(Note)*	0/1	N/A	N/A	N/A	N/A	N/A
Hui Hon Hing, Susanna	4/4	N/A	N/A	N/A	1/1	1/1
Non-executive directors						
Lee Chi Hong, Robert *(Non-executive Chairman)*	4/4	N/A	N/A	N/A	1/1	1/1
Dr Allan Zeman	4/4	N/A	1/1	N/A	1/1	1/1
Independent non-executive directors						
Prof Wong Yue Chim, Richard	3/4	2/2	1/1	1/1	0/1	1/1
Chiang Yun	4/4	2/2	1/1	1/1	1/1	1/1
Dr Vince Feng	4/4	2/2	1/1	N/A	1/1	1/1

Note:

Retired from the position as an executive director and a member of the Executive Committee with effect from February 11, 2020.

TRAINING AND SUPPORT FOR DIRECTORS

Every newly appointed director of the Company will meet with fellow directors and senior management to ensure he/she has an understanding of the Company's operations and business, and will receive a tailored induction handbook containing the Company's governance structure, key policies and an overview of director's responsibilities, as well as a briefing by qualified professional on the general and specific duties of director under legal and regulatory requirements.

Directors' training is an ongoing process. During the year, all directors received regular updates and presentations on the developments of the Group's business and important amendments to the Listing Rules and other applicable regulatory requirements. These updates aim at enhancing directors' knowledge and skills; and assisting them to comply with good corporate governance practices. In 2020, the directors as at December 31, 2020 have participated in various training and continuous professional development activities and the summary of which is as follows:

	Types of training
Executive directors	
Li Tzar Kai, Richard	A, B
Benjamin Lam Yu Yee *(Deputy Chairman and Group Managing Director)*	A, B
Hui Hon Hing, Susanna	A, B
Non-executive directors	
Lee Chi Hong, Robert *(Non-executive Chairman)*	A, B
Dr Allan Zeman	A, B
Independent non-executive directors	
Prof Wong Yue Chim, Richard	A, B
Chiang Yun	A, B
Dr Vince Feng	A, B

A: attending relevant seminars and/or conferences and/or forums; or delivering speeches at relevant seminars and/or conferences and/or forums

B: reading or writing relevant newspapers, journals and articles relating to general economy, general business, corporate governance or directors' duties

COMPANY SECRETARY

During the year ended December 31, 2020, Mr Timothy Tsang, the company secretary of the Company, has received no less than 15 hours of relevant professional training to refresh his skills and knowledge.

All directors have access to the advice and services of the company secretary, who is responsible for ensuring that the board procedures are followed, for advising the Board on all corporate governance matters, and for arranging induction programs including briefings on the general and specific duties of directors under legal and regulatory requirements for newly appointed directors. The company secretary facilitates the induction and professional development of directors.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company is committed to promoting and maintaining effective communication with the shareholders and other stakeholders. A Shareholders Communication Policy has been adopted for ensuring the Company provides the shareholders and the investment community with appropriate and timely information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow the investment community to engage actively with the Company. The Shareholders Communication Policy is available on the Company's website (www.pcpd.com).

The Board approved and adopted a dividend policy in November 2018 which sets out its overall objective to deliver steady and sustainable returns to its shareholders. In proposing any dividend payment, the Board will take into account a number of factors which include the Group's financial position and results of operation, the distributions received from its subsidiaries and other investments, the funding needs for the operation and expansion of the Group's businesses, the prevailing economic and market conditions, and other factors the Board may consider relevant and appropriate. The policy states the current intention of the Board which is subject to change.

The Company encourages two-way communication with both institutional and private investors. Information on the activities of the Company is provided in the interim reports and annual reports as well as on the websites of the Company and HKEX. There are regular dialogues between institutional investors and the Company. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcomed and they are dealt with in an informative and timely manner. Relevant contact information is provided on page 152 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2020, there were no changes to the constitutional documents of the Company. An up to date set of Bye-laws of the Company is available on the websites of the Company and HKEX.

SHAREHOLDERS' RIGHTS

1. Procedures by which shareholders can convene a special general meeting

Pursuant to the Bye-laws of the Company, the Board shall, on the requisition in writing of the shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, proceed to call a special general meeting for the transaction of any business specified in such requisition ("Requisition"). The Requisition must state the purposes of the general meeting, be signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. A special general meeting must be held within two months after deposit of the Requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene such special general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda ("Act").

2. Procedures by which enquiries may be put to the Board

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the company secretary in writing by mail to the Company's principal place of business in Hong Kong at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong ("Hong Kong Principal Office").

SHAREHOLDERS' RIGHTS — CONTINUED

3. Procedures for putting forward proposals at general meetings

To put forward a proposal at a shareholders' meeting, shareholders are requested to follow the requirements and procedures as set out in the Bye-laws of the Company and the Act.

Pursuant to the Act, (i) shareholder(s) of the Company holding not less than one-twentieth of the total voting rights of all the shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda ("Registered Office") and its Hong Kong Principal Office, for the attention of the company secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the company secretary will take necessary actions pursuant to the Act.

4. Procedures for shareholders to propose a person for election as a director

Pursuant to the Bye-laws of the Company, if a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment or election of director(s), wishes to propose a person (other than a retiring director and the shareholder himself/herself) for election as a director at that general meeting, such shareholder can deposit a notice in writing of the intention to propose that person for election as a director and a notice in writing by that person of his willingness to be elected at the Company's Registered Office or the Hong Kong Principal Office at least seven days before the date of the general meeting. The period for lodging such notice will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and no later than seven days prior to the date of such meeting.

If a shareholder wishes to nominate a person to stand for election as a director, the following documents must be validly served on the company secretary, namely (i) notice of intention to propose a resolution to elect a person as a director ("Nominated Candidate") at the general meeting; (ii) notice in writing executed by the Nominated Candidate of his/her willingness to be elected; and (iii) the information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information as required by the Listing Rules and the Bye-laws of the Company from time to time.

On behalf of the Board

Timothy TSANG
General Counsel and Company Secretary

Hong Kong, February 3, 2021

FINANCIAL INFORMATION

REPORT OF THE DIRECTORS

The board of directors of Pacific Century Premium Developments Limited (the "Company") (the "Board") presented its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

Details of segment information are set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the businesses of the Group during the year, a discussion on the Group's future business development and an analysis of the Group's performance during the year using financial key performance indicators are provided in the Statement from the Non-Executive Chairman on page 3, the Statement from the Deputy Chairman and Group Managing Director on page 4 and the Management's Discussion and Analysis on pages 6 to 10 of this annual report and notes 36 and 37 to the consolidated financial statements.

Description of the principal risks and uncertainties that the Group faces and the Group's environmental policies and performance, relationships with its key stakeholders and compliance with laws and regulations which have a significant impact on the Group are set out below.

Principal Risks and Uncertainties

The Board has overall accountability for ensuring that risks are effectively managed across the Group and, on behalf of the Board, the Audit Committee coordinates and reviews the effectiveness of the Group's adopted risk management framework and processes. Group Risk Management and Compliance is responsible for the assurance of the business risk registers while working with the Audit Committee to ensure the registers are kept current, factual and consistent across all Group operating areas. Both the Board and the Audit Committee remain satisfied that the internal risk control framework implemented by the Group continues to provide the necessary elements of enabling business flexibility without compromising the integrity of risk management and internal control systems. The ability of the Group to manage risk is continually evolving through the focus on risk management capability ensuring that it remains robust where risks are being identified, assessed and mitigated effectively.

The significant risks and uncertainties the Group encounters are set out below. They may adversely and/or materially affect the overall business performance, financial conditions, results of operations and growth prospects of the Group if they are not managed effectively. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or which may not be material now but could turn out to be material in the future. Due to the pace and nature at which risks evolve, the Group remains vigilant in addressing these areas of concern and developing appropriate control measures.

Infectious Disease/Pandemic Risk

Group Risk Management and Compliance has reported this risk in the previous Audit Committee meeting due to heightening risk of an outbreak of the COVID-19 pandemic in Mainland China, Hong Kong and worldwide since January 2020. Further to the policies and procedures on health and safety as well as business continuity that are concurrently in place, the Group has implemented additional precautionary measures by distributing guidelines to safeguard well-being of all employees and the public at large. A formalised Corporate Incident Response Plan and updated Business Continuity Management Policy have also been disseminated since February 2020 and May 2020 respectively.

BUSINESS REVIEW — CONTINUED

Principal Risks and Uncertainties — Continued

Market Risk

The Group's revenue is derived from operations in Indonesia, Japan and Hong Kong. As a result, the general state of the monetary policies including taxation in Indonesia, Japan and Hong Kong, and the changes in: (1) the economy, legislative, regulatory and government policies and regional political conditions in these areas; (2) the office rental market in Jakarta, Indonesia; and (3) the tourist market and climate change for the skiing activities in Hokkaido, Japan, could significantly impact the Group's operating results and financial conditions.

Cyber Security Threats

Cyber Security Threats including unauthorised access could be resulted from attempted cyberattacks which may lead to data breaches. A major cyber security breach is likely to have significant impacts on the Company's business and infrastructure with the cost of dealing with the operational disruption, remedial steps to mitigate data leakage, brand and reputational damage and steps to meet regulatory compliance. As part of further mitigation efforts, the Company has deployed both technical and administrative measures such as implementation of advanced threat protection tools, reinforcement of cyber security governance structure and awareness, and establishment of a centralised security budgeting process. Dedicated security teams, as well as Security Operations Centre, have also been assigned to monitor suspicious traffics and activities to combat cyberattacks on the Company's connection to the corporate network.

People Risk

The Group's success and ability to grow depends largely on its ability to attract, train, retain and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating and technical personnel. The loss of key personnel, or the inability to find qualified personnel for replacement, could materially and adversely affect the Group's prospects and results of operations. Amidst current pandemic situation, the health and safety of our people are our foremost care and concern as it not only will impact our people's own well-being but also affect our service delivery and the Group's overall performance.

Regulatory and Operational Compliance Risk

The Group operates in markets and industries which require compliance with numerous licenses, local laws and regulations, which cover various aspects including competition, anti-trust, personal data security, property management, construction and the environment etc. In addition, the Group also operates in countries where the Group is required to adhere to various requirements according to the local authorities and central banks' regulations.

BUSINESS REVIEW — CONTINUED

Principal Risks and Uncertainties — Continued

Project Risk

Through the activities of undertaking property development interests, the Group may be exposed to the effects of adverse changes in foreign government policies and regulations pertaining to land use, ownership and zoning. The time and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in government priorities and unforeseen problems or circumstances. The occurrence of any of these factors could give rise to delays in the completion of a project and result in cost overruns. This may also result in the profit on development for a particular property not being recognized in the year in which it was originally anticipated to be recognized. As a result, the Group carries out extensive research and market analysis before the development phase is initiated. The Group also employs external party to conduct review on the perspective of environmental sustainability of our business annually.

For details of the Group's financial management policies and strategies in managing its exposure to adverse fluctuations in foreign currency exchange rates and interest rates, please refer to note 36 to the consolidated financial statements.

Construction Risk

The time and costs involved in completing construction can be adversely affected by many factors, including shortage of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes with contractors and subcontractors, accidents, changes in government priorities, and other unforeseen problems or circumstances. The occurrence of any of these factors could give rise to delays in the completion of a project, which may result in cost overruns and potential disputes and claims from service recipients. This may also result in the profit on development for a particular property not being recognised in the year in which it was originally anticipated to be recognised.

Environmental Policies and Performance

The Group has established its Sustainability Committee and adopted its own Sustainability Policy which includes its environmental policy:

— Strive to achieve green building certification for all our new developments;

— Identify significant environmental impacts associated with our activities, adopt measures to manage and minimise the environmental impacts during design, construction and operation of all our properties;

— Reduce energy consumption, and enhance energy efficiency in our properties;

— Minimise waste generated by our operations, and ensure that waste is reused or recycled as much as possible, with the disposal of any remaining waste occurring in a responsible manner;

— Ensure that we operate in a way that exceeds the standard imposed by legal requirements, and integrate industry environmental best practices; and

— Monitor and measure our progress and set targets to continually improve our environmental performance.

BUSINESS REVIEW — CONTINUED

Environmental Policies and Performance — Continued

For its property development projects, the Group aims to develop green buildings by meeting internationally-recognised standards in environmental protection and sustainable development through the adoption of energy-efficient building designs, efficient use of materials in construction and environmental management plan during site operation. Further to the recognition of special contribution in sustainable development by winning the award in Indonesia Property Awards 2016, PCP Jakarta, the Group's major office building project in Jakarta has been finally certified by U.S. Green Building Council ("USGBC") with LEED Platinum rating in 2018, following by Greenship Platinum level certified by Green Building Council Indonesia ("GBCI") in 2019 and BCA GREEN MARK AWARD (GOLD, BCA Green Mark International for Non-Residential Buildings Version NRB/4.1) by Building and Construction Authority ("BCA") of Singapore in 2020. It is the first ever office building in Indonesia with such highest rating certified by the USGBC.

Our Environment

The Group's property management division, Island South Property Management Limited ("ISPML"), in Hong Kong has been accredited the ISO 14001 since 2005. In line with ISO continual improvement process guided by Integrated Management System, ISPML's Energy Conservation Taskforce implemented energy-saving solutions at Bel-Air which has saved over 1.28 million Hong Kong dollars in 2020. Moreover, ISPML heightened precautionary measures in combating COVID-19 by intensified cleaning in common areas, strengthened disinfection by new technologies such as nano-silver ray coating.

In Jakarta, Indonesia, the Group follows the government regulations and directives to enforce COVID-19 precautionary measures by applying not more than 37.3°C temperature restriction prior to entering into the building, clearly marking the social distancing inside the lifts and marking at least with 1.5 meters on escalators and the common areas in the building. Car park and motor cycle parking with clear signage, increase the patrol frequency to enforce masks must be worn upon entering and inside the building at all times. There are proper recording of the visitors details to the building and their travelling histories, signs to teach the tenants to wash hands more thoroughly and frequently inside all male and female toilets. Antiseptics are provided inside the building's common areas and at the entrances. Hand wash basins are provided outside of the building as well. The building is equipped with touchless turnstile and lift buttons — reducing the touch exposure to COVID-19. Intensified disinfection has been carried out by using United States EPA-registered disinfectant which is environmental friendly but effective in common areas like the lobby and inside the lifts with high frequent usages. The gym had been closed according to the government regulation. Upon re-opening of the gym, the opening hours have been shortened and the numbers of members per session has been limited for social distancing, with disinfection in-between and before and after the sessions. Each equipment is thoroughly disinfected after each use. The gym staff and the front liners are provided with protection such as masks, antiseptics, face shields and gloves and the receptionists are separated with the visitors by transparent plastic sheet.

ISPML — Bel-Air is honoured to be the recipient of Excellence Award in Excellence in Facility Management Award 2020 (Large-Scale Residential) and Bronze Award in Excellence in Facility Management Award 2020 (Residential) Theme Award — Sustainability from The Hong Kong Institute of Facility Management. The effectiveness is also sustained by the accreditations of: Water Supplies Department's Quality Water Supply Scheme For Buildings — Fresh Water (Management System) (Gold), flushing water complies with the standard of the Quality Water Supply Scheme For Buildings — Flushing Water, and Environmental Protection Department's Indoor Air Quality Certificate (Excellent Class) in addition to being a recipient of Wastewi$e Certificate, Energywi$e Certificate and IAQwi$e Certificate of the Hong Kong Green Organisation Certification by Environmental Campaign Committee.

Apart from the recognitions for its efforts in promoting sustainable community, throughout the past years it has put in place many green initiatives in areas of waste recycling, and reduction in emission and waste by signing of environmental protection charters such as Energy Saving Charter on "No ILB" by Electrical and Mechanical Services Department and Environmental Bureau, Food Wise Charter by Food Wise Hong Kong, and "Food Wise Eateries" by Environmental Protection Department.

BUSINESS REVIEW — CONTINUED

Relationships with Key Stakeholders

The Group is committed to operating in a sustainable manner while balancing the interest of various stakeholders including our employees, customers, suppliers, business partners and the community.

Relationships with Employees

The Group considers its employees the key to sustainable business growth and is committed to providing all employees with a safe and harassment-free work environment with equal opportunities in relation to employment, reward management, training and career development. Workplace safety is a priority of the Group. The Group is keen in ensuring health and safety measures are followed while in the performance of duties by our employees in order to reduce total time lost to work injuries. The Group has in place a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job-related trainings and provides sponsorship/subsidies to employees who are committed to personal development and learning.

Relationships with Customers

Save as disclosed in the Management's Discussion and Analysis, one of the major sources of revenue for the Group is ownership and operation of a ski and golf resort, property management and holiday letting business in Niseko, Hokkaido of Japan. The Group offers a complete all-season holiday solution for discerning guests, offering a complete suite of resort services including ski-lifting, snow-sports and guiding schools, specialty retail, equipment rental, restaurant operations, golf and white water rafting activities. Renowned for its consistent deep powder snow, Niseko has become a magnet for ski tourists from across the globe. International tourism to Japan and the Niseko area has been severely curtailed since the outbreak of COVID-19, with recovery in numbers not expected until widespread vaccination occurs across all jurisdictions.

COVID-19, not only impacted on the economy, it has affected companies to have to allow their staff to work from home mode. The demand for new rental property has shrunk substantially. The companies now look for new building with superb property management for safer and clean working environment for staff who must work in the office. PCP Jakarta is positioned in this niche market as our customers have confidence in our management.

Embracing the mix of different cultures and languages, the business division works closely and collaboratively with government agencies at all levels and continues to maintain important strategic working relationships with all local companies. The Group aims to offer a safe, diverse, interesting and culturally sensitive experience for all levels of customers, no matter families, children, elders or sports enthusiasts. The Group is committed to providing Niseko's finest holiday experience, delivering quality service that sets a new benchmark in Japan.

For the property management and facilities management services in Hong Kong, ISPML, the property management division has established various communication channels to create curated experience for customers in light of practicing physical distancing such as Bel-Air hotline, mobile apps, electronic mail and website (www.bel-air-hk.com) to communicate with residents. In addition, Bel-Air successfully achieved the conversion of ISO 10002:2018 Quality Management — Customer Satisfaction which represents its commitment in continual improvement of an effective and efficient complaints-handling process. The overall customer satisfaction rate on General Management — Security and Safety is 98.9 per cent.

BUSINESS REVIEW — CONTINUED

Relationships with Key Stakeholders — Continued

Relationships with Customers — Continued

To pursue continuous improvement on service quality, ISPML conducts customer satisfaction survey annually so as to better understand residents' views on its services and to ensure that could meet the residents' expectations. Regular meetings with Owners' Committee and sub-committee members are held to discuss the estate issues and the ways that the property management division can further improve its service standard. Residents' opinions and suggestions are considered as valuable assets. As such, the property management division would study the feasibility of each suggestion made by the aforesaid committees. All residents' feedbacks would be responded in a timely manner.

The Group owns and operates PCP Jakarta, a premium Grade A office building located in the heart of the financial hub of Sudirman Central Business District (SCBD) Jakarta. The building is tenanted by worldwide multinational companies. PCP Jakarta, is the first office building in Indonesia to achieve LEED Platinum Grade certification awarded by the USGBC. The building provides a comfortable, smoke free, energy efficient working environment to all tenants. The building has a clear headroom height of 3.05 meters, floor loading capacity of 5 kPa, and is built with steel and reinforced concrete to achieve seismic standard 25 per cent over the existing government requirement. This enables PCP Jakarta to be one of the most sought after office buildings in Jakarta. PCP Jakarta is built with a vision to provide tenants with work/health balance in mind. The building is the first to have a state-of-the-art gym with an outdoor swimming pool and trainers are internationally certified. A food pavilion and fully equipped function rooms are some of the facilities for tenants to enjoy.

The building's Tenant Relations Officers provide services such as greeting of tenants and making courtesy calls to tenants on regular basis to review service standards. Feedback forms are placed at the concierge desk in the main lobby to encourage tenants to provide feedback for improvement on services. All feedbacks are addressed promptly and attended to within the day. The Tenant Relations Officers also regularly conduct checks of public forum on reviews of PCP Jakarta and to thank the contributors for their feedback, comments and suggestions. The Tenant Relations Officers aim to provide excellent service by anticipating tenants' needs and enquiries.

Relationships with Suppliers and Contractors

The Group is committed to delivering prestigious high quality sustainable development projects. It is imperative that suppliers and contractors share the same vision and mission. The Group adopts a partnership approach to solicit the commitments of the stakeholders to create the all-win situation. A procedure has also been established to ensure that procurement process is fair and transparent. Procedures are also put in place to monitor and review the deliverables from suppliers and contractors and there are adequate channels to provide feedback to them.

Relationships with Community

We have experienced a difficult year in 2020. To show our support to the frontline medical and healthcare workers who have been so vigilant, professional and brave to fight against the COVID-19. PCPD made a cash donation to the Hospital Authority for purchasing equipment and relevant materials in need.

BUSINESS REVIEW — CONTINUED

Relationships with Key Stakeholders — Continued

Relationships with Community — Continued

Due to the social distancing restrictions, the annual outing event with Hong Kong Society for Rehabilitation ("HKSR") was cancelled. PCPD made a cash donation to the organisation and purchased masks and hand sanitizers from "LiveSmart", the social enterprise managed by HKSR, for our office daily used.

The Group is awarded the Caring Company Logo in 2020/21.

For details of the above programs, please refer to the "Community" section of the Sustainability Report 2020.

PCPD has voluntarily disclosed its carbon footprint data for inclusion into the Environmental Protection Department's Carbon Footprint Repository since 2017.

ISPML, the property management division has been awarded the Caring Company Logo for 13 consecutive years in recognition of its efforts to promote building a cohesive society through strategic partnership with non-profitable organisations and social enterprises. ISPML offered additional support, namely "tough times collaboration", to the community partner New Life Psychiatric Rehabilitation Association ("New Life"). It included providing rice noodles and COVID-19 protection packs to workers at New Life's Shek Pai Wan Integrated Work Centre.

Compliance with Laws and Regulations

Among the principal activities of the Group is property management in Hong Kong. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have significant impact on the property management industry; any changes in the applicable laws, rules and regulations affecting property management are brought to the attention of relevant employees and relevant operation teams from time to time. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data.

In Japan, the Group operates all-season recreational activities for customers and manages the related facility and assets, including operating and maintaining ski lifts, and also engages in property management and property development businesses. The operating vehicles in Japan hold the required licences for the business activities they carry out. The local management team checks to ensure that the subsidiaries in Japan have complied with the applicable local laws and regulations for their principal business activities, such as the Railway Business Act, National Parks Law, Food Hygiene Law, Real Estate Law, Building Standards Law and Hotel & Ryokan Management Law in Japan.

As for the Group's property investment in Indonesia, the Group complies with the applicable laws and regulations governing property operation, including occupation permit, business license and other applicable permits that are required by the relevant government bodies.

As for the Group's property development in Thailand, the Group complies with all applicable laws and regulations governing property development, including planning, construction, environmental protection, lease and/or sales, and property management, implemented by the relevant government bodies.

BUSINESS REVIEW — CONTINUED

Compliance with Laws and Regulations — Continued

Other Corporate and Administrative Requirements

The Group is also subject to various corporate and administrative requirements under other laws and regulations such as the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and the Employment Ordinance. Through various internal controls and approval procedures that are in place, the Company seeks to ensure the compliance with these requirements.

SUSTAINABILITY REPORT

A separate sustainability report for 2020 will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2020 are set out in the accompanying consolidated statement of comprehensive income on page 68.

For the year ended December 31, 2020, the Board did not declare any interim dividend to shareholders nor any interim distribution to bonus convertible noteholders (2019: Nil). The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2020 (2019: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 149.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in note 20 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties under development/held for development and held for investment purposes are set out on pages 150 to 151.

BORROWINGS

Particulars of the borrowings of the Group are set out in note 22 to the consolidated financial statements.

SHARES ISSUED

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$4,414 million (2019: HK$4,423 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2020, the aggregate amount of revenue from sales of goods or rendering of services attributable to the Group's five largest customers represented less than 30 per cent of the Group's total revenue.

For the year ended December 31, 2020, the aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 52.77 per cent of the Group's total purchases, while the purchases attributable to the largest supplier for the Group accounted for approximately 30.87 per cent of the Group's total purchases.

As at December 31, 2020, none of the directors of the Company, their close associates nor any shareholder which to the knowledge of the directors own more than 5 per cent of the issued shares of the Company had any beneficial interest in the Group's major suppliers.

DIRECTORS

The directors of the Company who have held office during the year and up to the date of this report are:

Executive Directors

Li Tzar Kai, Richard
Benjamin Lam Yu Yee *(Deputy Chairman and Group Managing Director)*
James Chan *(retired with effect from February 11, 2020)*
Hui Hon Hing, Susanna

Non-Executive Directors

Lee Chi Hong, Robert *(Non-Executive Chairman)*
Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP
Chiang Yun
Dr Vince Feng

In accordance with bye-law 87 of the Bye-laws of the Company, Mr Li Tzar Kai, Richard, Ms Hui Hon Hing, Susanna and Mr Lee Chi Hong, Robert shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the directors of the Company are set out in the section headed "Board of Directors" on pages 11 to 14.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his/her independence and the Company considers that they are independent based on the terms of the independence guidelines as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has with the Group an unexpired service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, the directors and chief executives of the Company and their respective close associates had the following interests or short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules:

1. Interests in the Company

The table below sets out the aggregate long positions in the shares of the Company (the "Shares") held by the directors and chief executives of the Company:

Name of director/ chief executive	Number of ordinary Shares held Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Shares in issue
Li Tzar Kai, Richard	–	–	273,898,539 *(Notes I, II and IV)*	440,128,563 *(Notes I, III and IV)*	714,027,102	29.99% *(Note IV)*
Lee Chi Hong, Robert	107,200 *(Note V (a))*	55 *(Note V (b))*	–	–	107,255	0.01%

On December 31, 2020, the Company announced (the "Announcement") a proposed rights issue (the "Rights Issue") which involved the issue of 793,627,989 new Shares (the "Rights Shares") at the subscription price of HK$0.82 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares then held. The total number of Shares in issue will be enlarged by the allotment and issue of the Rights Shares on completion.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

1. Interests in the Company — Continued

Notes:

I. Pacific Century Regional Developments Limited ("PCRD"), a company in which Pacific Century Group Holdings Limited ("PCGH") had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.63 per cent interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100 per cent interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 1.06 per cent of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.

As disclosed in the Announcement:

(a) PCRD has undertaken, among other things, to subscribe for its full entitlement under the Rights Issue (the "PCRD Undertaking"); and

(b) PCGH has also undertaken, among other things, to subscribe for its full entitlement and to procure the subscription by Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), and Eisner Investments Limited ("Eisner") for their full entitlements. Li Tzar Kai, Richard owned 100 per cent of the issued share capital of Chiltonlink and Eisner. PCGH will also apply and/or procure the application by PCD and/or Eisner by way of excess application for additional Rights Shares, provided that such excess applications would be scaled down to a level which would not trigger general offer obligation under the Takeovers Code (the "PCGH Undertaking").

II. These interests represented:

(a) 29,102,971 Shares held by PCD, and 210,771,338 nil-paid Rights Shares (the "NPRs") to be provisionally allotted to PCD and PCD might apply by way of excess application, that PCGH has undertaken pursuant to the PCGH Undertaking; and

(b) 4,128,021 Shares held by Eisner, and 29,896,209 NPRs to be provisionally allotted to Eisner and Eisner might apply by way of excess application, that PCGH has undertaken pursuant to the PCGH Undertaking.

III. These interests represented:

(a) deemed interests in 18,933,724 Shares held by PCGH, and 137,122,988 NPRs to be provisionally allotted to PCGH and PCGH might apply by way of excess application, that PCGH has undertaken pursuant to the PCGH Undertaking. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 18,933,724 Shares and the 137,122,988 NPRs held by PCGH; and

(b) deemed interests in 189,381,234 Shares held by PCRD, and 94,690,617 NPRs to be provisionally allotted to PCRD that PCRD has undertaken pursuant to the PCRD Undertaking. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 189,381,234 Shares and the 94,690,617 NPRs held by PCRD.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

1. *Interests in the Company — Continued*

Notes: — Continued

IV. The number of NPRs was calculated based on:

(a) 29.99 per cent of the enlarged number of Shares in issue upon completion of the Rights Issue; and

(b) the maximum number (best estimate) of Shares and NPRs (including full entitlements and excess applications under the Rights Issue) which might be interested in pursuant to the PCRD Undertaking and the PCGH Undertaking dated December 31, 2020.

V. (a) These Shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These Shares were held by the spouse of Lee Chi Hong, Robert.

2. *Interests in the Associated Corporations of the Company*

A. PCCW Limited ("PCCW")

The table below sets out the aggregate long positions in the shares of PCCW, the ultimate holding company of the Company, held by the directors and chief executives of the Company:

	Number of ordinary shares held					
Name of director/ chief executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCCW in issue
Li Tzar Kai, Richard	—	—	462,287,134 *(Note I (a))*	1,928,842,224 *(Note I (b))*	2,391,129,358	30.93%
Lee Chi Hong, Robert	992,600 *(Note II (a))*	511 *(Note II (b))*	—	—	993,111	0.01%
Hui Hon Hing, Susanna	7,242,175	—	—	2,030,070 *(Note III)*	9,272,245	0.12%

Notes:

I. (a) Of these shares of PCCW, PCD, a wholly-owned subsidiary of Chiltonlink, held 269,471,956 shares, Eisner held 38,222,413 shares and Trade Champion Limited, a wholly-owned subsidiary of Excel Global Holdings Limited ("Excel Global"), held 154,592,765 shares. Li Tzar Kai, Richard owned 100 per cent of the issued share capital of Chiltonlink, Eisner and Excel Global.

(b) These interests represented:

(i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and

(ii) a deemed interest in 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

2. Interests in the Associated Corporations of the Company — Continued

A. PCCW Limited ("PCCW") (Continued)

Notes: — Continued

II. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These shares were held by the spouse of Lee Chi Hong, Robert.

III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

B. HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the share stapled units (the "Share Stapled Units") jointly issued by HKT Trust and HKT Limited, an associated corporation of the Company, held by the directors and chief executives of the Company:

	Number of Share Stapled Units held					
Name of director/ chief executive	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the total number of Share Stapled Units of HKT Trust and HKT Limited in issue**
Li Tzar Kai, Richard	—	—	66,247,614 *(Note I (a))*	158,764,423 *(Note I (b))*	225,012,037	2.97%
Lee Chi Hong, Robert	50,924 *(Note II (a))*	25 *(Note II (b))*	—	—	50,949	0.0007%
Hui Hon Hing, Susanna	3,862,498	—	—	780,458 *(Note III)*	4,642,956	0.06%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

2. *Interests in the Associated Corporations of the Company — Continued*

B. HKT Trust and HKT Limited — Continued

Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT Limited ("HKT"); and

(b) one voting preference share of HK$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated November 7, 2011 constituting the HKT Trust entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

I. (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.

(b) These interests represented:

(i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and

(ii) a deemed interest in 145,604,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD.

II. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.

III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to the relevant award schemes of PCCW and HKT, namely the Purchase Scheme and the HKT Share Stapled Units Purchase Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

2. *Interests in the Associated Corporations of the Company — Continued*

C. PCPD Capital Limited ("PCPD Capital")

The table below sets out the aggregate long positions in the 4.75 per cent bonds due 2022 (the "2022 Bonds") issued by PCPD Capital, an associated corporation of the Company, held by the director of the Company:

	Principal amount of the 2022 Bonds held (US$)				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Lee Chi Hong, Robert	2,250,000 *(Note)*	—	—	—	2,250,000

Note:

These 2022 Bonds were held jointly by Lee Chi Hong, Robert and his spouse.

D. Easy Treasure Limited ("Easy Treasure")

The table below sets out the aggregate long positions in the shares issued by Easy Treasure, an associated corporation of the Company, held by the director of the Company:

	Number of ordinary shares held					
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the total number of shares of Easy Treasure in issue**
Allan Zeman	—	—	999 *(Note)*	—	999	9.99%

Note:

These shares were held by Paradise Pinetree Development Limited ("Paradise"). Allan Zeman owned 100 per cent of the issued share capital of Paradise.

Save as disclosed in the foregoing, as at December 31, 2020, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company operates a share option scheme which was adopted by its shareholders at the Company's annual general meeting held on May 6, 2015, and became effective on May 7, 2015 following its approval by PCCW's shareholders (the "2015 Scheme"). The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. Under the 2015 Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion. The major terms of the 2015 Scheme are set out below:

(1) The purpose of the 2015 Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(2) Eligible participants include any director, executive director, non-executive director, independent non-executive director, officer and/or employee of the Group or any member of it, whether in full time or part time employment of the Group or any member of it, and any consultant, adviser, supplier, customer, or sub-contractor of the Group or any member of it, and any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business; and provided always, that an eligible participant can be an individual or any other person permitted under the 2015 Scheme.

(3) The maximum number of shares of the Company in respect of which options may be granted under the 2015 Scheme shall not in aggregate exceed 10 per cent of the shares of the Company in issue as at the date of adoption of the 2015 Scheme. Subject to the Listing Rules requirements, the 10 per cent limit may be renewed with prior shareholders' approval. The overall limit on the number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Scheme and other share option schemes of the Company must not exceed 30 per cent of the shares of the Company in issue from time to time. As at the date of this annual report, the total number of shares of the Company available for issue in respect of which options may be granted under the 2015 Scheme is 40,266,831, representing approximately 2.54 per cent of the shares of the Company in issue as at that date.

(4) The total number of shares of the Company issued and to be issued upon exercise of options granted and to be granted to any single eligible participant (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the 2015 Scheme in any 12-month period shall not exceed 1 per cent of the shares of the Company in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, the said limit is reduced to 0.1 per cent of the shares of the Company in issue and HK$5 million in aggregate value based on the closing price of the shares of the Company on the date of each grant. Any further grant of share options in excess of such limits is subject to shareholders' approval at general meeting.

(5) The 2015 Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The terms and conditions under and the period within which an option may be exercised under the 2015 Scheme shall be determined by the Board, provided that such terms and conditions shall not be inconsistent with the 2015 Scheme and no option may be exercised 10 years after the date of grant.

(6) The 2015 Scheme does not specify any consideration which is payable on the acceptance of an option. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect upon the date of grant of such option unless the grantee rejects the grant in writing within 14 days after the date of grant.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES — CONTINUED

(7) The exercise price in relation to each option shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the 5 days last preceding the date of grant on which days it has been possible to trade the shares of the Company on the Stock Exchange.

(8) Subject to the early termination by an ordinary resolution in general meeting of shareholders or resolutions of the Board, the 2015 Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which period no further options shall be granted but the provisions of the 2015 Scheme shall remain in full force and effect in all other respects.

No share options have been granted under the 2015 Scheme since its adoption and up to and including December 31, 2020.

Save as disclosed above, at no time during the year under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executives of the Company or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the Company or any of its associated corporations or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Share Option Scheme

Details of the share option scheme of the Company are set out in the section headed "Share Options and Directors' Rights to Acquire Shares or Debentures" above and note 27 to the consolidated financial statements.

Bonus Convertible Notes

As a result of the issue of bonus convertible notes in the aggregate amount of HK$592,572,154.40 convertible into a total of 1,185,144,308 shares of the Company at a conversion price of HK$0.50 per share (after adjustment made as a consequence of a share consolidation of the Company which became effective on June 25, 2012) in 2012, up to December 31, 2020, bonus convertible notes in the aggregate amount of HK$592,552,133.20 (December 31, 2019: HK$18,800.00) were converted into 1,185,104,266 shares (December 31, 2019: 37,600 shares) of the Company at the conversion price of HK$0.50 per share. As at December 31, 2020, the Company's outstanding bonus convertible notes were in the aggregate amount of HK$20,021.20 convertible into a total of 40,042 shares of the Company at the conversion price of HK$0.50 per share. The bonus convertible notes can be converted into shares of the Company at any time provided that the Company's minimum public float requirements under the Listing Rules could be complied with.

EQUITY-LINKED AGREEMENTS — CONTINUED

Supporting Agreement and Investor Agreements

On May 23, 2013, the Group entered into a supporting agreement (the "Supporting Agreement") with ACE Equity Holdings Limited (the "Supporter"), whereby the Group will settle part of the services received in the value of US$23 million by means of, among other things, issuing non-voting, non-contributory but dividend participating class B shares (the "Melati Class B Shares") representing not more than 6.388 per cent of the share capital of the Company's indirect wholly-owned subsidiary, Melati Holding Limited ("Melati"), to the Supporter. The Group also granted a put option to the Supporter to require the Group to purchase all the Melati Class B Shares after the expiry of 5 years from the date of issue of the shares based on then consolidated net asset value of Melati and its subsidiaries.

On May 23, 2013, the Group also entered into a subscription agreement and a loan purchase agreement (the "Investor Agreements") with an independent third party (the "Investor") pursuant to which the Group will allot to the Investor 9.99 per cent shares (the "Rafflesia Shares") of Rafflesia Investment Limited ("Rafflesia") which is an indirect wholly-owned subsidiary of the Company held by Melati and assign 9.99 per cent of the shareholder's loan to Rafflesia (the "Rafflesia Loan") at a consideration to be determined at the time of the allotment based on the total investment costs incurred by the Group on the Indonesian development project plus finance charge. The Group also granted a put option to the Investor to require the Group, at any time on or after May 23, 2023, to purchase all the Rafflesia Shares and the Rafflesia Loan based on then consolidated net asset value of Rafflesia and its subsidiaries.

Details of the Supporting Agreement and the Investor Agreements are set out in the joint announcement issued by the Company and PCCW dated May 23, 2013, the circular issued by the Company dated June 25, 2013 and notes 27(c)(i) and 27(c)(ii) to the consolidated financial statements.

Sale and Purchase Agreement

As disclosed in the joint announcement of the Company and PCCW dated January 15, 2018 (the "Joint Announcement"), Silvery Sky Holdings Limited ("Silvery Sky", a wholly-owned subsidiary of the Company), as purchaser entered into a sale and purchase agreement (the "SPA") with CSI Properties Limited ("CSI") as vendor's guarantor and Radiant Talent Holdings Limited ("Radiant Talent", a wholly-owned subsidiary of CSI), as vendor whereby Silvery Sky would acquire from Radiant Talent the entire issued share capital of Fast Million Limited ("Fast Million") and the entire shareholder's loan owing to Radiant Talent by Fast Million, for the purpose of joint redevelopment of certain properties owned by Fast Million (through its wholly-owned subsidiaries) for a consideration comprising an initial cash payment of HK$2,018 million (subject to adjustments) and the allotment and issue of one non-voting participating share of Silvery Sky credited as fully paid up at an issue price of US$1.00 (the "NPS") to Radiant Talent upon completion of the SPA. Upon completion on March 23, 2018, Fast Million became a wholly-owned subsidiary of Silvery Sky which in turn through its wholly-owned subsidiaries owned entire interest of certain properties.

The NPS would, among others, entitle Radiant Talent to the right to be paid or distributed 50 per cent of the dividends declared or distributions made by Silvery Sky. Subject to certain contingent event having occurred which would give rise to the right to Conversion (as defined below) of NPS and subject to, amongst others, payment to Concept Plus Holdings Limited, a wholly-owned subsidiary of the Company, by Radiant Talent in accordance with the shareholders' memorandum entered into at completion of the SPA, the NPS held by Radiant Talent would be converted to one new fully paid up ordinary share of Silvery Sky (the "Conversion"), representing 50 per cent of the entire issued share capital of Silvery Sky immediately following the Conversion. As at December 31, 2020, the Conversion has not occurred.

Details of the SPA are set out in the Joint Announcement issued by the Company and PCCW dated January 15, 2018.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2020, the following persons (other than directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of the total number of Shares in issue
Long Positions			
PCCW	Interest in controlled corporation	635,354,407 *(Note I)*	40.03%
PCRD	Beneficial owner	189,381,234	11.93%
PCGH	Beneficial owner & interest in controlled corporation	208,314,958 *(Note II)*	13.12%
Star Ocean Ultimate Limited	Trustee	208,314,958 *(Notes III and IV)*	13.12%
The Ocean Trust	Beneficiary of a trust	208,314,958 *(Note III)*	13.12%
The Starlite Trust	Beneficiary of a trust	208,314,958 *(Note III)*	13.12%
OS Holdings Limited	Interest in controlled corporation	208,314,958 *(Note III)*	13.12%
Ocean Star Management Limited	Trustee	208,314,958 *(Note III)*	13.12%
The Ocean Unit Trust	Interest in controlled corporation	208,314,958 *(Note III)*	13.12%
The Starlite Unit Trust	Interest in controlled corporation	208,314,958 *(Note III)*	13.12%
Star Ocean Ultimate Holdings Limited	Interest in controlled corporation	208,314,958 *(Note IV)*	13.12%
Fung Jenny Wai Ling	Interest in controlled corporation	208,314,958 *(Note V)*	13.12%
Huang Lester Garson	Interest in controlled corporation	208,314,958 *(Note V)*	13.12%
China United Network Communications Group Company Limited ("Unicom")	Interest in controlled corporation	153,893,076 *(Note VI)*	9.70%

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS — CONTINUED

Notes:

I. PCCW indirectly held these interests through Asian Motion Limited, a company wholly-owned by PCCW.

II. These interests represented (i) PCGH's beneficial interests in 18,933,724 Shares; and (ii) PCGH's interests (through itself and its controlled corporations, being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 88.63 per cent of the issued share capital of PCRD) in 189,381,234 Shares held by PCRD.

III. On April 18, 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.

IV. On November 4, 2013, Star Ocean Ultimate Limited became a controlled corporation of Star Ocean Ultimate Holdings Limited.

V. Fung Jenny Wai Ling and Huang Lester Garson were deemed to be interested in such Shares under the SFO as each of them controlled the exercise of one-third or more of the voting power at general meetings of each of Ocean Star Investment Management Limited, OS Holdings Limited and Star Ocean Ultimate Holdings Limited.

VI. Unicom indirectly held these interests through China Unicom Group Corporation (BVI) Limited, a company wholly-owned by Unicom.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS REQUIRED TO BE DISCLOSED UNDER THE SFO

As at December 31, 2020, the following person (other than directors or chief executives or substantial shareholders (as disclosed in the previous section headed "Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders") of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of the total number of Shares in issue
Long Positions			
Ocean Star Investment Management Limited *(Note)*	Investment manager	208,314,958	13.12%

Note:

Ocean Star Investment Management Limited was deemed interested under the SFO in the Shares by virtue of it being the investment manager of The Ocean Unit Trust and The Starlite Unit Trust which together held 100 per cent of PCGH (see the notes to the previous section headed "Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders").

Save as disclosed above in this section and the previous section headed "Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders", the Company has not been notified of any other persons (other than directors or chief executives of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at December 31, 2020.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Continuing Connected Transactions" and "Related Party Transactions" of this report, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries, fellow subsidiaries or parent company was a party, and in which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2020, the director of the Company had the following interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's businesses:

Name of director	Name of company	Nature of business	Nature of interests
Li Tzar Kai, Richard	CK Hutchison Holdings Limited ("CK Hutchison") and its subsidiaries	Ports and related services, retail, infrastructure, energy and telecommunications	*(Note)*
	CK Asset Holdings Limited ("CK Asset") and its subsidiaries	Property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, pub operation and investment in infrastructure and utility asset operation	*(Note)*

Note:

Li Tzar Kai, Richard has a personal interest in 75,240 shares in each of CK Hutchison and CK Asset, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of CK Hutchison and CK Asset. Certain businesses of CK Hutchison and CK Asset may compete with certain aspects of the businesses of the Group during the year.

In addition, Li Tzar Kai, Richard is a director of certain private companies (the "Private Companies"), which are engaged in property development and investment.

Further, Li Tzar Kai, Richard is a director and chairman of PCRD. PCRD is an investment holding company with interests in telecommunications and media (through PCCW), logistics, property and infrastructure investment and development in the Asia Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan and the Asia Pacific region are also unlikely to compete with the existing business of the Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRD and PCGH due to the interests as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Share Stapled Units, Underlying Shares, Underlying Share Stapled Units and Debentures of the Company and its Associated Corporations" of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS — CONTINUED

As PCRD and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm's length from, the businesses of those companies.

Save as disclosed above, none of the directors of the Company is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

PERMITTED INDEMNITY

Pursuant to bye-law 166(1) of the Bye-laws of the Company, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

DONATIONS

During the year, the Group made charitable and other donations in the aggregate amount of approximately HK$0.2 million (2019: 0.1 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2020, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

MANAGEMENT CONTRACTS

Save for the directors' service contracts or employment contracts, no other contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2020 and up to the date of this report, the Group has entered the following transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company and details of which are set out below in accordance with the Listing Rules.

1. As disclosed in the announcement of the Company dated January 20, 2016, an agreement was reached between PT. Prima Bangun Investama ("PT PBI", a wholly-owned subsidiary of the Company) as landlord, and PT FWD Life Indonesia ("PT FWD", an associate of Li Tzar Kai, Richard, a director of the Company) as tenant, by way of acceptance by PT FWD of a binding letter of offer (with a pro forma form of lease agreement attached thereto) issued by PT PBI (the "2016 Lease Agreement") in relation to the key terms of the lease of the whole of 20th Floor and a portion of the ground floor (the "Premises") and the signage right of the premium Grade A office building which is situated at Jl. Jenderal Sudirman Kavling. 52–53, SCBD Lot 10, Jakarta 12190, Indonesia. The parties signed the formal lease agreement (the "2016 Formal Lease Agreement") on September 20, 2017 upon the Premises was ready for delivery to PT FWD. The tenor of the lease is three years from the lease commencement date which was tentatively on or after January 1, 2018. As the Premises were ready for early delivery, both parties agreed the actual lease commencement date to be November 13, 2017 and the lease expiry date to be November 12, 2020. According to final confirmation of the area, the fees calculated as in accordance with the terms of the 2016 Lease Agreement, with the total aggregate amount subject to an annual cap of IDR23,102.3 million (approximately HK$13 million) for each of the three financial years ended December 31, 2020. The aggregate amount charged by PT PBI under the 2016 Formal Lease Agreement for the year ended December 31, 2020 was IDR18,359.4 million (approximately HK$9.7 million) for rentals, service charges, parking charges and signage charges.

2. As disclosed in the announcement of the Company dated March 16, 2018, on the completion date of April 30, 2018 (the "Completion Date"), a Thai company ("Developer Co 1", being an entity over which the Company has control) which is consolidated in the consolidated financial statements of the Company, entered into the Phase 1A Development Management Agreement (the "Phase 1A Development Management Agreement") with Andaman Property Development Co., Ltd. ("Andaman Property", an associate of Dr Allan Zeman who is a director of the Company) with a term of three years commencing from the Completion Date, whereby Developer Co 1 would engage Andaman Property as the development manager of the phase 1A development and the development of the phase 1 associated facilities (excluding the golf course upgrade) within the project site in Phang Nga, Thailand, which services shall include construction management, design services relating to architecture, civil, structural and MEP engineering and quantity surveying (the "Development Management Services"), at the fees calculated in accordance with the terms of the Phase 1A Development Management Agreement subject to the annual cap set out below.

   On the Completion Date, a Thai company ("Developer Co 2", being an entity over which the Company has control) which is consolidated in the consolidated financial statements of the Company, entered into the Remaining Phase 1 Development Management Agreement (the "Remaining Phase 1 Development Management Agreement") with Andaman Property with a term of three years commencing from the Completion Date, whereby Developer Co 2 would engage Andaman Property as the development manager of the remaining phase 1 development and the development of the phase 1 associated facilities (excluding the golf course upgrade) within the Project Site, which services shall include Development Management Services, at the fees calculated in accordance with the terms of the Remaining Phase 1 Development Management Agreement subject to the annual cap set out below.

   The aggregate annual fees payable under the Phase 1A Development Management Agreement and the Remaining Phase 1 Development Management Agreement shall be subject to the annual cap of HK$36 million during the term of the agreements. The aggregate fees charged by Andaman Property under the Phase 1A Development Management Agreement and the Remaining Phase 1 Development Management Agreement for the year ended December 31, 2020 was approximately HK$9 million for the Development Management Services.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

3. As disclosed in the announcement of the Company dated December 27, 2018, PCPD Facilities Management Limited ("PCPD FM", a wholly-owned subsidiary of the Company) had entered into a facilities management services agreement and a lease & tenant management services agreement (the "Agreements") with Reach Networks Hong Kong Limited ("Reach Networks", a wholly-owned subsidiary of Reach Ltd., which is an associate of PCCW) on that day in relation to the facilities management services and lease & tenant management services it provides to Reach Networks from January 1, 2019 onwards for a term of two years until December 31, 2020 at the fees calculated in accordance with the terms of the Agreements, subject to the annual caps of HK$8 million for 2019 and 2020. The aggregate fees charged by PCPD FM under the Agreements for the year ended December 31, 2020 was approximately HK$8 million for facilities management services and lease & tenant management services.

   In the announcement dated December 28, 2020, the Company announced that PCPD FM and Reach Networks had entered into a new facilities management services agreement and a new lease & tenant management services agreement (the "New Agreements") on that day for the provision of the facilities management services and lease & tenant management services by PCPD FM to Reach Networks from January 1, 2021 onwards for a term of two years until December 31, 2022 at the fees calculated in accordance with the terms of the New Agreements, subject to the annual caps of HK$8.5 million for each of the financial years ending December 31, 2021 and December 31, 2022.

4. As disclosed in the announcement of the Company dated July 23, 2018, PT. Prima Bangun Investama ("PT PBI", a wholly-owned subsidiary of the Company), as landlord, and PT FWD Life Indonesia ("PT FWD", an associate of Li Tzar Kai, Richard, a director of the Company), as tenant, had entered into a lease agreement (the "2018 Lease Agreement") on that day in relation to the key terms of the lease of a portion of 39th Floor of the building named Pacific Century Place ("PCP") situated at Jl. Jenderal Sudirman Kavling. 52–53, SCBD Lot 10, Jakarta 12190, Indonesia from July 2, 2018 onwards for a term of three years at the fees calculated in accordance with the terms of the 2018 Lease Agreement, subject to an annual cap of IDR4,700 million (approximately HK$2.5 million, including rentals, service charges and parking charges) for each of the three years ending July 1, 2021 (the "2018 Cap").

   In the announcement dated May 30, 2019 (the "2019 Announcement"), the Company announced that due to the increase in service charge and for the purpose of aligning the 2018 Cap to the Group's financial year, the 2018 Cap was revised to IDR5,300 million (approximately HK$2.9 million) for each of the financial years ended December 31, 2019 and December 31, 2020, and IDR2,650 million (approximately HK$1.4 million) for the financial year ending December 31, 2021. In the 2019 Announcement, the Company also announced that PT PBI as landlord and PT FWD as tenant had entered into a lease agreement (the "2019 Lease Agreement") on that day in relation to the key terms of the lease of the west portion of 39th Floor of PCP for a term from April 8, 2019 to July 1, 2021 at the fees calculated in accordance with the terms of the 2019 Lease Agreement.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

4. — Continued

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the 2018 Lease Agreement and the 2019 Lease Agreement shall be aggregated for the purposes of the compliance requirements under the Listing Rules. The aggregate value of the revised 2018 Cap and the annual caps for the transactions contemplated under the 2019 Lease Agreement for the three financial years ending December 31, 2021 are as follows:

	Aggregated annual cap	
Financial year ended/ending December 31	*(IDR'000,000)*	*Approx. (HK$'000)*
2019	9,275	5,044
2020	10,600	5,764
2021	5,300	2,882

The aggregate amount charged by PT PBI under the 2018 Lease Agreement and the 2019 Lease Agreement for the year ended December 31, 2020 was IDR9,926.1 million (approximately HK$5.3 million) for rentals, service charges, and parking charges.

5. As disclosed in the announcement of the Company dated August 29, 2019, Partner Link Investments Limited ("Partner Link", a wholly-owned subsidiary of the Company) had entered into a project management services agreement (the "Project Management Services Agreement") with Antede Limited ("Antede", an associate of Li Tzar Kai, Richard, a director of the Company) on that day in relation to the project management services it provides to Antede for a term from August 29, 2019 to December 31, 2020 at the fees calculated in accordance with the terms of the Project Management Services Agreement, subject to the annual cap of HK$8.5 million for the financial year ended December 31, 2019 and the annual cap of HK$3 million for the financial year ended December 31, 2020. The aggregate fees charged by Partner Link under the Project Management Services Agreement for the year ended December 31, 2020 was approximately HK$2.4 million for project management services.

6. As disclosed in the announcement of the Company dated December 27, 2019, PCPD Operations Limited ("PCPDOL", an indirect wholly-owned subsidiary of the Company) had on that day entered into a master agreement for supply and procurement of goods and services with each of the following parties: (i) PCCW Solutions Limited, an indirect wholly-owned subsidiary of PCCW (PCCW together with its subsidiaries, "PCCW Group"; PCCW Group excluding the Group and the HKT Group (as defined below), "Parent Group") (the agreement with this entity shall be referred to as the "Parent Group 2019 Master Agreement"); and (ii) Hong Kong Telecommunications (HKT) Limited ("HKTL"), an indirect wholly-owned subsidiary of HKT (HKT together with its subsidiaries, "HKT Group") (the agreement with this entity shall be referred to as the "HKT Group 2019 Master Agreement"). Such agreements set out the frameworks for the provision of certain goods and services by the Parent Group and the HKT Group respectively to the Group for a term of three years from January 1, 2020 to December 31, 2022 at prices to be determined in accordance with the terms stipulated therein and subject to the annual caps as disclosed in the announcement. The categories of goods and services as provided under (i) the Parent Group 2019 Master Agreement are (a) Information Technology Solutions and Services and (b) Corporate Services and Other Services, and those provided under (ii) the HKT Group 2019 Master Agreement are (a) Telecommunications and Related Equipment and Services and (b) Corporate Services and Other Services.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

6. — Continued

The aggregate contract amounts for transactions contemplated under the Parent Group 2019 Master Agreement for the financial year ended December 31, 2020 are set out below:

Categories of goods and services	Approximate aggregate contract amount for the financial year ended December 31, 2020	Annual cap for the financial year ended December 31, 2020
	HK$'000	*HK$'000*
Information Technology Solutions and Services (not including those fully exempt as consumer goods and services)	366	2,000
Corporate Services and Other Services	473	530

The aggregate contract amounts for transactions contemplated under the HKT Group 2019 Master Agreement for the financial year ended December 31, 2020 are set out below:

Categories of goods and services	Approximate aggregate contract amount for the financial year ended December 31, 2020	Annual cap for the financial year ended December 31, 2020
	HK$'000	*HK$'000*
Telecommunications and Related Equipment and Services (not including those fully exempt as consumer goods and services)	863	3,000
Corporate Services and Other Services	4,000	9,270

As at December 31, 2020, PCCW, a substantial shareholder of the Company, held approximately 40.03 per cent and approximately 51.94 per cent equity interest in the Company and HKT respectively.

7. As disclosed in the announcement of the Company dated December 21, 2020, PT. Prima Bangun Investama ("PT PBI", a wholly-owned subsidiary of the Company), as landlord, and PT FWD Life Indonesia ("PT FWD", an associate of Li Tzar Kai, Richard, a director of the Company), as tenant, had entered into a lease agreement (the "2020 Lease Agreement") on that day in relation to the key terms of the lease of the whole of 20th Floor and the signage right of the building named Pacific Century Place situated at Jl. Jenderal Sudirman Kavling. 52–53, SCBD Lot 10, Jakarta 12190, Indonesia for a term from November 13, 2020 to July 1, 2022 at the fees calculated in accordance with the terms of the 2020 Lease Agreement, subject to annual caps of IDR4,560 million (approximately HK$2.5 million) for the year ended December 31, 2020, IDR27,358 million (approximately HK$15 million) for the year ending December 31, 2021 and IDR13,679 million (approximately HK$7.5 million) for the year ending December 31, 2022. The aggregate amount charged by PT PBI under the 2020 Lease Agreement for the period ended December 31, 2020 was IDR2,760.4 million (approximately HK$1.5 million) for rentals, service charges, parking charges and signage charges.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

The independent non-executive directors of the Company had reviewed and confirmed that the continuing connected transactions for the financial year ended December 31, 2020 have been entered into:

A. in the ordinary and usual course of the business of the Group;

B. on normal commercial terms or better; and

C. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The external auditor of the Company was engaged to report on the continuing connected transactions entered into by the Group for the year ended December 31, 2020 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in the normal course of business are set out in note 35 to the consolidated financial statements. Those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules had complied with the applicable requirements under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

As at the date of this report, the Company maintained the prescribed public float as required under the Listing Rules, based on information that was publicly available to the Company and within the knowledge of the directors of the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 15 to 31 of this annual report.

AUDITOR

The consolidated financial statements for the financial year ended December 31, 2020 were audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at that meeting.

On behalf of the Board

Timothy TSANG
General Counsel and Company Secretary

Hong Kong, February 3, 2021

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 148, which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of hotel properties in Japan
- Valuation of investment property in Indonesia
- Carrying values of properties under development, properties held for sale and properties held for development
- Uncertain tax positions

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of hotel properties in Japan *Refer to note 15 to the consolidated financial statements.*	
The Group holds 2 hotel properties in Hokkaido, Japan. The carrying values of the hotel properties included in property, plant and equipment were HK$2,202 million as at 31 December 2020. In view of the economic slowdown from the COVID–19 pandemic, the Group's hotel operations incurred losses for the year ended 31 December 2020. This factor, together with the uncertainties over the pace of business recovery, are considered as indicators of impairment. Management has therefore performed impairment assessments to determine the recoverable amounts of the hotel properties of the Group, with each hotel considered as a separate cash generating unit ("CGU"). The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs of disposal.	Our procedures in relation to management's assessment of the carrying values of property, plant and equipment of the hotels included: • Assessing how management identified indicators for impairment; • Evaluating management's future cash flow forecasts and the processes by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets and the actual results of the prior period; • Assessing the appropriateness of methodologies and key assumptions used by management in the calculations of the recoverable amounts for the hotel properties; • Assessing the occupancy rates and average daily room rates assumptions applied in the forecasts by comparing them to historic results and economic and industry forecasts;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of hotel properties in Japan — Continued	
Management determined the value-in-use of the hotel properties held by the Group as the recoverable amounts as at 31 December 2020, which involves estimation of future business performance and key assumptions including discount rates, occupancy rates, average daily room rates, etc.. Based on the impairment assessments carried out by management, a provision of HK$229 million for impairment of hotel properties was provided as at 31 December 2020.	• Assessing the region-specific discount rate and capitalisation rate with reference to market data or our in-house valuation experts; and • Carrying out sensitivity test by making adjustments to the key assumptions in management's impairment assessments and considered whether any reasonably possible adjustments, in isolation or as a combination, would result in material change in recoverable amounts. Based on our work and the evidence obtained, we found the significant judgements and estimates adopted by management in the value-in-use calculation were supportable.
Valuation of investment property in Indonesia *Refer to note 14 to the consolidated financial statements.*	
The Group's investment properties were carried at HK$3,699 million out of which HK$3,643 million as at December 31, 2020 related to the completed investment property in Indonesia. Management has engaged an independent professional valuer to determine the fair value of the investment property. The fair value was derived using the income approach. The valuation was inherently subjective due to the significant estimates used which included the expected market rent and capitalisation rate. Significant changes in these estimates could result in material changes to the valuation of the property.	Our procedures in relation to management's valuation of the investment property included: • Assessing the competence, capability and objectivity of the independent professional valuer; • Discussing the valuation methodology and key assumptions with the valuer; • Involving our internal valuation specialists to compare the estimated market rent in the valuation to our independently formed market expectations, and to compare the capitalisation rate to a range of expected yields determined with reference to published market yields; and • Checking, on a sample basis, the accuracy and reasonableness of information, such as the rental income and lease period, used by the valuer, to the underlying lease agreements. We found the valuation of the investment property to be supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying values of properties under development, properties held for sale and properties held for development *Refer to note 17 to the consolidated financial statements.* The carrying values of properties under development, properties held for sale and properties held for development were HK$345 million, HK$279 million and HK$2,712 million respectively as at December 31, 2020. For the properties under development and properties held for sale in Japan with the carrying value of HK$345 million and HK$135 million respectively and the properties held for development in Hong Kong with the carrying value of HK$2,229 million, management determined the net realisable values of the properties using the discounted cash flow forecast or residual method, wherever appropriate, which involved significant estimates and assumptions such as selling prices, construction costs and discount rate. For the properties under development and properties held for development in Thailand with the carrying value of HK$144 million and HK$483 million respectively, management determined the net realisable value of the properties by the direct comparison approach, which involved the use of estimates and assumptions including recent sales price of similar properties with adjustments for any difference in nature, locality and condition of the properties. Based on their determination of these net realisable values, management concluded that the carrying values of the properties under development, properties held for sale and properties held for development were appropriate.	Our procedures in relation to management's assessment of the carrying value of properties under development, properties held for sale and properties held for development included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of properties under development, properties held for sale and properties held for development; • For the properties under development and properties held for sale in Japan with the carrying value of HK$345 million and HK$135 million respectively and the properties held for development in Hong Kong with the carrying value of HK$2,229 million, comparing the estimated selling prices, construction costs or discount rate used in the assessments to our independently formed market expectations and country-specific market and industry data. We also performed sensitivity analysis on the key assumptions used in the assessments; and • For the properties under development and properties held for development with the carrying value of HK$144 million and HK$483 million respectively, comparing management's estimates of selling prices for similar properties to market data. We also considered whether the adjusting factors used in management's assessment fell within a reasonable range with reference to our property industry knowledge in the country which the properties are located. We also performed sensitivity analysis on the key assumptions used in the assessment. We found the carrying values of the properties under development, properties held for sale and properties held for development to be supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Uncertain tax positions *Refer to note 34 to the consolidated financial statements.* The Group operates across several jurisdictions and is subject to Hong Kong and overseas taxes. From time to time, there are queries raised by relevant tax authorities in respect of the tax treatment of certain matters. Significant judgement was used to estimate the outcome of these matters and determine the appropriate amount of current tax provision.	Our procedures in relation to management's assessment on uncertain tax positions included: • Assessing the appropriateness of the tax position at the year end, according to the tax rules in different jurisdictions; • Understanding from management the basis and rationale of the current tax provision; • Discussing with management the estimated outcome of queries raised by relevant tax authorities and obtaining relevant supporting information; • Evaluating the competence, capability and objectivity of the independent professional tax consultant, and reading their opinion on the tax queries; and • Assessing the appropriateness and adequacy of the relevant disclosures made in the Group's consolidated financial statements. We found the tax positions to be supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Pui Shan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, February 3, 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

HK$ million	Note	2020	2019
Revenue	4, 5	**1,843**	1,015
Cost of sales		**(1,394)**	(469)
Gross profit		**449**	546
General and administrative expenses		**(687)**	(620)
Other income		**5**	—
Other loss	6	**(229)**	—
Operating loss		**(462)**	(74)
Interest income		**9**	20
Finance costs	7	**(246)**	(176)
Loss before taxation	8	**(699)**	(230)
Income tax	11	**(50)**	(65)
Loss attributable to equity holders of the Company		**(749)**	(295)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**72**	213
Total comprehensive loss		**(677)**	(82)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	13	**(47.19) cents**	(18.61) cents

The notes on pages 73 to 148 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020								
							Attributable to		
HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	equity holders of the Company	non-controlling interests	Total equity
Balance at January 1, 2020	2,846	(565)	(590)	592	10	1,598	3,891	133	4,024
Total comprehensive income/ (loss) for the year	—	—	72	—	—	(749)	(677)	—	(677)
Transactions with owners:									
— Issue of new shares from the conversion of bonus convertible notes (note 25)	592	—	—	(592)	—	—	—	—	—
Balance at December 31, 2020	3,438	(565)	(518)	—	10	849	3,214	133	3,347

	2019								
							Attributable to		
HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	equity holders of the Company	non-controlling interests	Total equity
Balance at January 1, 2019	2,846	(565)	(803)	592	10	1,893	3,973	133	4,106
Total comprehensive income/ (loss) for the year	—	—	213	—	—	(295)	(82)	—	(82)
Balance at December 31, 2019	2,846	(565)	(590)	592	10	1,598	3,891	133	4,024

The notes on pages 73 to 148 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

HK$ million	Note	2020	2019
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**3,699**	3,762
Property, plant and equipment	15	**3,337**	3,392
Right-of-use assets	16	**30**	77
Properties under development	17(a)	**345**	291
Properties held for development	17(b)	**2,712**	2,653
Goodwill	18	**5**	5
Financial assets at fair value through profit or loss	19	**1**	1
Prepayments and other receivables		**265**	305
		10,394	10,486
Current assets			
Properties under development/held for sale	17(a)	**279**	1,421
Inventories		**17**	9
Sales proceeds held in stakeholders' accounts	21(a)	**504**	506
Restricted cash	21(b)	**113**	594
Trade receivables, net	21(c)	**27**	24
Prepayments, deposits and other current assets		**448**	739
Amounts due from fellow subsidiaries	35(c)	**1**	1
Amounts due from related companies	35(c)	**6**	6
Financial assets at fair value through profit or loss	19	**2**	5
Cash and cash equivalents		**1,202**	1,378
		2,599	4,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

HK$ million	Note	2020	2019
Current liabilities			
Short-term borrowings	22	**807**	1,517
Current portion of long-term borrowings	22	**11**	11
Trade payables	21(d)	**14**	49
Accruals and other payables	21(e)	**713**	1,068
Deferred income and contract liabilities	23	**90**	441
Lease liabilities		**27**	44
Amount payable to the HKSAR Government under the Cyberport Project Agreement	24	**330**	325
Current income tax liabilities		**11**	7
		2,003	3,462
Net current assets		**596**	1,221
Total assets less current liabilities		**10,990**	11,707
Non-current liabilities			
Long-term borrowings	22	**7,385**	7,372
Other payables		**178**	175
Deferred income and contract liabilities	23	**34**	58
Lease liabilities		**7**	34
Deferred income tax liabilities	29	**39**	44
		7,643	7,683
Net assets		**3,347**	4,024
CAPITAL AND RESERVES			
Issued equity	25	**3,438**	2,846
Reserves		**(224)**	1,045
Capital and reserves attributable to equity holders of the Company		**3,214**	3,891
Non-controlling interests	20	**133**	133
		3,347	4,024

Benjamin Lam Yu Yee
Director

Hui Hon Hing, Susanna
Director

The notes on pages 73 to 148 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

HK$ million	Note	2020	2019
NET CASH GENERATED FROM OPERATING ACTIVITIES	30(a)	**646**	82
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(199)**	(1,805)
Additions to investment properties		**(12)**	(10)
NET CASH USED IN INVESTING ACTIVITIES		**(211)**	(1,815)
FINANCING ACTIVITIES			
Proceeds from bank borrowings, net		**—**	1,809
Proceeds from issue of guaranteed notes		**—**	1,023
Payment for modification of guaranteed notes		**(20)**	—
Repayment of bank borrowing		**(719)**	(11)
Payment for borrowing costs		**(323)**	(260)
Payment for lease liabilities (including interest)		**(46)**	(46)
Decrease/(increase) in restricted cash		**485**	(274)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(623)**	2,241
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(188)**	508
Exchange difference		**12**	6
CASH AND CASH EQUIVALENTS			
Balance at January 1,		**1,378**	864
Balance at December 31,		**1,202**	1,378

The notes on pages 73 to 148 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 (Amount expressed in Hong Kong dollars unless otherwise stated)

1. GENERAL INFORMATION

Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

The Company is a limited liability company incorporated in Bermuda and its securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

At December 31, 2020, the directors consider the immediate holding company of the Group to be Asian Motion Limited, a company incorporated in British Virgin Islands, and the ultimate holding company of the Group to be PCCW Limited ("PCCW"), a company incorporated in Hong Kong. PCCW produces financial statements available for public use.

These consolidated financial statements set out on pages 68 to 148 were approved by the board of directors (the "Board") on February 3, 2021.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

b. Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except that the following assets are stated at fair value as explained in the accounting policies set out below:

— investment properties (see note 2(g)); and

— financial assets at fair value through profit or loss (see note 2(o)).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

DECEMBER 31, 2020 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

b. Basis of preparation of the consolidated financial statements — Continued

The HKICPA has issued certain new and revised HKFRSs that are adopted for the current accounting period of the Group. The following sets out the changes in accounting policies for the current accounting period reflected in these consolidated financial statements.

i. Adoption of new/revised accounting standards

Standards and amendments effective for the annual period beginning on January 1, 2020 adopted by the Group but have no significant impact on the Group's consolidated financial statement:

— HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
— HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
— HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
— HKFRS 3 (Revised) (Amendments), *Business Combinations*
— HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
— HKFRS 9 (2014) (Amendments), *Financial Instruments*
— HKFRS 16 (Amendments), *Leases*
— Conceptual Framework for Financial Reporting 2018

The Group has not early adopted any other new or amended HKFRSs and HKASs that not yet effective for the current accounting period.

ii. Standards, amendments to standards and interpretations which are not yet effective

The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2020 and which the Group has not early adopted:

HKAS 1 (Revised) (Amendments)	Classification of Liabilities as Current or Non-current [2]
HKAS 16 (Amendments)	Property, Plant and Equipment [1]
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Ventures [3]
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets [1]
HKFRS 3 (Revised) (Amendments)	Business Combinations [1]
HKFRS 10 (Amendments)	Consolidated Financial Statements [3]
HKFRS 17	Insurance Contracts [2]
Annual Improvements to HKFRS (Amendments)	Annual Improvements 2018–2020[1]

Note:

[1] Effective for annual period beginning on or after January 1, 2022
[2] Effective for annual period beginning on or after January 1, 2023
[3] Effective date to be determined

The Group does not expect the adoption of the above standards that are not yet effective will have a material impact on the Group's future reporting periods and foreseeable future transactions.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

c. Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by Hong Kong Financial Reporting Standards.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 2(j)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Where businesses are acquired and fair values of the net assets of the acquired business are finalised within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the restatement of previously reported financial results.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less any impairment losses (note 2(h)). The results of subsidiaries are recognised by the Company to the extent of dividends received and receivable at the end of the reporting period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

d. *Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of comprehensive income as follows:

(i) Sales of properties

Revenue is recognised at a point in time when the customer obtains control of the completed property, which is typically when the property is legally or physically transferred to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated statement of comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated statement of comprehensive income as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Receipts of rental income in advance are deferred and recorded as "Deferred income and contract liabilities" in the consolidated statement of financial position. The amounts are then recognised as revenue based on the actual utilisation of the rental usage of the investment properties.

(iii) Service income

Service income is recognised when the related services are rendered to customers.

For the property and facilities management services provided for fixed period, service income is recognised on a straight-line basis over the respective period.

(iv) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis using the effective interest method by reference to the principal outstanding and the rates applicable.

(v) Hotel revenue

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

e. *Property, plant and equipment and depreciation*

Land and buildings are stated at cost less impairment losses (note 2(h)) less subsequent depreciation for buildings. Land has an indefinite useful life and is not subject to depreciation.

Property, plant and equipment held for own use are stated at cost less accumulated depreciation and impairment losses (note 2(h)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including qualifying borrowing costs (note 2(t)). Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset and is depreciated over the original remaining useful life of the asset when it is probable that future economic benefits will flow to the Group and the costs can be measured reliably. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income on the date of retirement or disposal.

Land and construction in progress are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost on a straight-line basis over the estimated useful lives as follows:

Buildings and structures	5 to 51 years
Other plant and equipment	2 to 20 years

The useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

f. *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

(i) Assets leased to the Group

Leases are initially recognised as a right-of-use asset/interest in leasehold land and corresponding liability, where applicable, at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

f. Leased assets — Continued

(i) Assets leased to the Group — Continued

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Interest in leasehold land is amortised on a straight-line basis over the lease term, except where the property is classified as an investment property, (see note 2(g)) or property under development/held for sale/held for development (see note 2(i)).

The Group has elected the practical expedient not to separate lease and non-lease components of certain class of underlying assets and account for whole as a single lease component in the measurement of lease liabilities and right-of-use assets.

Assets leased by the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;
— variable lease payments that are based on an index or a rate; and
— payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of the respective entities. Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liabilities;
— any lease payments made at or before the commencement date, less any lease incentive received;
— any initial direct costs; and
— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

f. Leased assets — Continued

(ii) Assets leased out by the Group

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in the note 2(h). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in the note 2(d)(ii).

g. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation, and which are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Land held under operating leases are classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties are initially measured at their cost, including directly attributable construction costs, borrowing costs and other related transaction costs. After initial recognition, investment properties are stated in the consolidated statement of financial position at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee and are prepared or reviewed periodically by independent external valuers. The fair values of investment properties reflect, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair values also reflect, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair value arising on the revaluation of investment properties are recognised in the consolidated statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed to the consolidated statement of comprehensive income in the period in which they are incurred.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

h. Impairment of investment in a subsidiary and non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— right-of-use assets;
— goodwill; and
— properties under development/held for sale/held for development.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (a cash-generating unit).

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Recognition of impairment losses

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

(iii) Reversals of impairment losses

An impairment loss of an asset other than goodwill is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not allowed to be reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

i. Properties under development/held for sale/held for development

Properties held for development represent interests in land held for future development which are stated at cost less accumulated impairment losses (note 2(h)).

Properties under development or held for sale are carried at the lower of cost and the estimated net realisable value. Cost includes original land acquisition costs, costs of land use rights, construction expenditures incurred and other direct development costs attributable to such properties, including interest incurred on loans directly attributable to the development prior to the completion of construction. The net realisable value is determined by reference to estimated sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses.

Properties under development with the development expected to be completed within one year from the end of the reporting period, which have either been pre-sold or are intended for sale, are classified under current assets.

Properties held for sale represent completed properties available for sale which are classified under current assets.

j. Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the fair value of non-controlling interest over the Group's interest in the net fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses (note 2(h)). Goodwill is allocated to cash-generating units and is tested at least annually for impairment or whenever there is impairment indicator. Impairment losses on goodwill are not reversed. On disposal of an entity or business unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

k. Contract assets and liabilities

Customers pay according to a pre-agreed payment schedule. If the performance obligations fulfilled by the Group exceed the total non-refundable payments received and unconditional rights to contract consideration to date, a contract asset is recognised. If the total non-refundable payments received and unconditional rights to contract consideration to date exceed the performance obligation fulfilled, a contract liability is recognised. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

l. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair value. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance for expected credit losses.

For trade receivables, the Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. When measuring expected credit losses, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and possibility that no credit loss occurs.

For other receivables, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information. Considerations may include:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Trade and other receivables are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Trade and other receivables are included in the consolidated statement of financial position under "Trade receivables, net" and "Prepayments, deposits and other current assets" under current assets and "Prepayments and other receivables" under non-current assets.

m. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

n. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

o. Financial assets at fair value through profit or loss

The Group classifies its investments in equity securities, other than investment in a subsidiary, as financial assets at fair value through profit or loss. This category comprises financial assets held for trading and those designated as fair value through profit or loss at inception.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownerships.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income. At the end of each reporting period, the fair value is re-measured, changes in the fair value of financial assets are recognised in "Other gain/(loss), net" in the consolidated statement of comprehensive income.

p. Financial guarantee contracts

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

q. Trade and other payables

Trade and other payables are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. They are included in current liabilities, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current liabilities.

r. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the amount required to settle the obligation. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of resources will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s. Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised, being the proceeds net of transaction costs, and the redemption value being recognised in the consolidated statement of comprehensive income over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

t. Borrowing costs

Borrowing costs are expensed in the consolidated statement of comprehensive income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Ancillary costs incurred in connection with arranging borrowings, to the extent that they are regarded as adjustments to interest costs, are recognised as expenses over the period of the borrowing using the effective interest method.

u. Income tax

Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Income tax is recognised in the consolidated statement of comprehensive income.

(i) Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(ii) Deferred income tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities are recognised while deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred income tax recognised is measured using the tax rates that would be applied on sale of those assets at their carrying value in the statement of financial position unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets and liabilities are not discounted.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

u. Income tax — Continued

(iii) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or
— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

v. Employee benefits

(i) Salaries, annual bonuses, annual leave entitlements, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, provisions are made for the estimated liability as a result of services rendered by employees up to the end of the reporting period.

(ii) Defined contribution retirement schemes (including the Mandatory Provident Fund) are offered to employees of the Group. The schemes are operated by PCCW and the assets of such schemes are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant companies of the PCCW Group including the Group and, in some cases, employees themselves, taking into account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution retirement schemes are recognised as expenses in the consolidated statement of comprehensive income in the period to which the contributions relate. Under the defined contribution retirement schemes, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

v. Employee benefits — Continued

(iii) The Group and PCCW operate share option schemes where employees (including directors) are granted options to acquire shares of the Company or PCCW at specified exercise prices. The fair value of the employee services received in exchange for the grant of the options is recognised as staff costs in the consolidated statement of comprehensive income with a corresponding increase in an employee share-based compensation reserve under equity. The fair value of the options granted is measured at grant date using the trinomial option pricing model, taking into account the terms and conditions upon which the options were granted, and spread over the respective vesting period during which the employees become unconditionally entitled to the options. At the end of each reporting period, the Group revises its estimates of the number of share options that is expected to become vested. The impact of the revision of original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve). The equity amount is recognised in the employee share-based compensation reserve until either the share options are exercised (when it is transferred to the share premium account) or the share options expire (when it is released directly to retained earnings). When the share options are exercised, the proceeds received, net of any directly attributable transaction cost, are credited to share capital (nominal value) and share premium.

(iv) The Board of directors of PCCW may also grants shares of PCCW or share stapled units of HKT Limited ("HKT"), a fellow subsidiary of the Group, to the employees of the Group at nil consideration under its share award scheme; which the awarded shares or share stapled units are either newly issued at par value (the "Subscription Scheme") or are purchased from the open market (the "Purchase Scheme").

Awards under the Purchase Scheme and the Subscription Scheme, are accounted for as cash-settle share-based payments. The fair value of the awarded PCCW shares and HKT share stapled units represents the quoted market price of PCCW shares and HKT share stapled units purchased from the open market under the Purchase Scheme and the issue price of PCCW shares and HKT share stapled units under the Subscription Scheme are recognised as financial assets at fair value through profit or loss, and subsequently measured at fair value. The fair value of the employee services received in exchange for the grant of PCCW shares and HKT share stapled units are recognised as staff costs in the consolidated statement of comprehensive income over the respective vesting period with a corresponding obligation being recognised. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded PCCW shares and HKT share stapled units that vest (with a corresponding adjustment to the obligation) and the carrying amount of awarded PCCW shares and HKT share stapled units recognised in the financial assets at fair value through profit or loss is offset with the obligation.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

w. Share-based payment transactions with cash alternatives

Share-based payment transactions are those arrangements which the terms provide either the Group or the counterparty with a choice of whether the Group settles the transaction in cash (or other assets) or by issuing equity instruments. Upon the vesting conditions, if any, are met, the Group shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Group has incurred a liability to settle in cash (or other assets). Otherwise, the share-based payment transaction is accounted for as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

x. Foreign currency translation

The Group maintains their books and records in the primary currencies of their operations (the "functional currencies"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currencies transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the consolidated statement of comprehensive income.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Items included in the consolidated statement of financial position of foreign operations, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income and accumulated separately currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relate to that foreign operation is included in the calculation of the gain or loss on disposal.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — CONTINUED

y. Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

z. Dividend distribution

Dividend distribution to the Company's shareholders or bonus convertible noteholders is recognised as a liability in the consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. Management has also made judgements in applying the Group's accounting policies. These judgements and the key sources of estimation uncertainty are discussed below:

(i) Estimated valuation of investment properties

The best evidence of fair value is the current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected capitalisation rate, market price and market rent in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different capitalisation rate, market prices, market rents or other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated statement of comprehensive income. As at December 31, 2020, the fair value of the investment properties was HK$3,699 million.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(ii) Cost of sales and amount payable to the HKSAR Government under the Cyberport Project Agreement

Pursuant to the agreement dated May 17, 2000 entered into with the HKSAR Government ("Cyberport Project Agreement"), the HKSAR Government is entitled to receive approximately 65 per cent of the surplus cash flow earned from the Cyberport project. The amounts paid and payable to the HKSAR Government are part of the Group's costs of developing the Cyberport project.

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government is recognised as cost of properties sold. Had the estimates of development costs been revised, this would have affected the costs of properties sold recorded in the consolidated statement of comprehensive income.

(iii) Creditability of value added tax

As at December 31, 2020, the Group has value added tax ("VAT") payment of Indonesian Rupiah ("IDR") 183,834.4 million (equivalent to HK$100.6 million) arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which is classified as "Prepayments and other receivables" under non-current assets. Such Land VAT has been reported as creditable input VAT pending to compensate future output VAT after the tax assessment in 2014. In year 2018, the Indonesian tax office ("ITO") has performed a tax re-audit and issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million and a penalty of IDR183,834.4 million. The total of tax and penalty of IDR367,668.8 million (approximately HK$201 million) has been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets". The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings during the year ended December 31, 2020 and the process is still ongoing. In case the Group loses the appeal, impairment to the balances would be made and any impairment losses would be recognised in the consolidated statement of comprehensive income. Further details are disclosed in note 34.

(iv) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and business plans. In the event that the Group's estimates of projected future taxable income and benefits from available business plans are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2020, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position (note 29(a)).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(v) Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— right-of-use assets;
— goodwill; and
— properties under development/held for sale/held for development.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

The sources used to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value. The recoverable value of property, plant and equipment, right-of-use assets, goodwill and investment in a subsidiary represents the greater of the asset's fair value less cost to sell or its value in use while the recoverable values of properties under development/held for sale/held for development refers to the net realisable value. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessments utilising internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilised, the Group is required to make many assumptions to make these assessments, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

For the year ended December 31, 2020, a provision for impairment of HK$229 million was recognised on the property, plant and equipment of the hotel operations in Japan segment.

4. REVENUE

Revenue comprises the revenue recognised in respect of the following businesses:

HK$ million	2020	2019
All-season recreational activities in Japan	**88**	111
Property investment in Indonesia	**240**	217
Property development in Japan	**1,364**	618
Hotel operations in Japan	**84**	2
Property and facilities management in Hong Kong	**29**	30
Other businesses	**38**	37
	1,843	1,015

a. Unsatisfied long-term contracts

The following table shows the amount of revenue recognised in the current year relates to contract liabilities at the beginning of the year.

HK$ million	2020	2019
Revenue recognised that was included in contract liabilities at the beginning of the year	**1,390**	332

The following table shows unsatisfied performance obligations resulting from fixed-price contracts.

HK$ million	2020	2019
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at December 31	**54**	1,353

Management expects that all of the transaction price allocated to the unsatisfied contracts as of December 31, 2020 will be recognised as revenue during the year ended December 31, 2021. The amount disclosed above does not include variable consideration which is constrained.

All other unsatisfied performance obligation of the Group's contracts with customer has duration of one year or less or is billed based on time incurred.

b. Assets recognised from costs to obtain a contract

As at December 31, 2020, the Group did not recognise any asset (2019: HK$17 million) in relation to the costs incurred to obtain the property sale contracts which was presented within "Prepayments, deposit and other receivables". During the year, the Group charged HK$17 million (2019: HK$1 million) of this asset to the consolidated statement of comprehensive income consistent with the pattern of recognition of the associated revenue. No amortisation or impairment loss was recognised during the year ended December 31, 2020.

5. SEGMENT INFORMATION

An analysis of revenue and information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resources allocation and assessment of segment performance for year ended December 31 is set out below:

a. Business segments

	Revenue (note i)						Results		Other information	
	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets	
HK$ million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
All-season recreational activities in Japan	**88**	111	**—**	—	**88**	111	**(18)**	(21)	**123**	232
Property investment in Indonesia	**240**	217	**—**	—	**240**	217	**119**	107	**13**	13
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(21)**	(18)	**81**	96
Property development in Japan	**1,364**	618	**—**	—	**1,364**	618	**62**	181	**38**	11
Hotel operations in Japan (note ii)	**84**	2	**2**	8	**86**	10	**(480)**	(67)	**9**	1,512
Property and facilities management in Hong Kong	**29**	30	**—**	—	**29**	30	**6**	3	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(17)**	(29)	**55**	2
Other businesses (note iii)	**38**	37	**2**	2	**40**	39	**(2)**	(2)	**4**	—
Elimination	**—**	—	**(4)**	(10)	**(4)**	(10)	**—**	—	**—**	—
Total of reported segments	**1,843**	1,015	**—**	—	**1,843**	1,015	**(351)**	154	**323**	1,866
Unallocated	**—**	—	**—**	—	**—**	—	**(348)**	(384)	**4**	6
Consolidated	**1,843**	1,015	**—**	—	**1,843**	1,015	**(699)**	(230)	**327**	1,872

5. SEGMENT INFORMATION — CONTINUED

a. Business segments — Continued

	Assets		Liabilities	
HK$ million	**2020**	**2019**	**2020**	**2019**
All-season recreational activities in Japan	**651**	553	**75**	69
Property development in Japan	**1,032**	2,852	**285**	1,651
Hotel operations in Japan (note ii)	**2,344**	2,656	**853**	892
Property investment in Indonesia	**4,428**	4,459	**333**	374
Property development in Thailand	**1,048**	894	**65**	47
Property and facilities management in Hong Kong	**22**	18	**3**	3
Property development in Hong Kong	**2,342**	2,304	**809**	810
Other businesses (note iii)	**93**	90	**18**	16
Total of reported segments	**11,960**	13,826	**2,441**	3,862
Unallocated	**1,033**	1,343	**7,205**	7,283
Consolidated	**12,993**	15,169	**9,646**	11,145

(i) For the years ended December 31, 2019 and 2020, the timing of revenue recognition is as follow:

HK$ million	**2020**	**2019**
External revenue from contracts with customers:		
Timing of revenue recognition		
— At a point in time	**1,416**	648
— Over time	**252**	213
External revenue from other sources:		
— Rental income	**175**	154
	1,843	1,015

(ii) In January 2020, the Park Hyatt Niseko, Hanazono commenced its hotel operations. Together with the Midtown Niseko hotel ("Hotel operations in Japan"), the Group provides hospitality services to guests and travellers in Niseko, Hokkaido, Japan. The reportable segment "Hotel operations in Japan" is presented as an operating division for current and comparative periods. Comparative information for 2019 has been amended accordingly to conform with this change in classification adopted in the current year. These amendments and reclassifications have no impact on the loss for the current and comparative periods nor on the assets and liabilities of the Group as at December 31, 2019 and 2020.

5. SEGMENT INFORMATION — CONTINUED

a. Business segments — Continued

(iii) Revenue from segment below the quantitative thresholds under HKFRS 8 "Operating Segments" is mainly attributable to property management in Japan and property investment in Hong Kong. These segments have never met any of the quantitative thresholds for determining reportable segments.

b. Geographical information

The following table sets out the information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, right-of-use assets, properties under development, properties held for development, goodwill, and prepayments and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, property, plant and equipment, right-of-use assets, properties under development and properties held for development, and the location of the operation to which they are allocated, in case of goodwill, and prepayments and other receivables.

	Revenue from external customers		Specified non-current assets	
HK$ million	**2020**	**2019**	**2020**	**2019**
Japan	**1,569**	757	**3,240**	3,306
Hong Kong (place of domicile)	**34**	41	**2,328**	2,329
Thailand	**—**	—	**835**	753
Indonesia	**240**	217	**3,991**	4,098
	1,843	1,015	**10,394**	10,486

6. OTHER LOSS

HK$ million	**2020**	**2019**
Provision for impairment on property, plant and equipment (note 15)	**229**	—

7. FINANCE COSTS

HK$ million	2020	2019
Interest expenses:		
— Bank borrowings	**68**	78
— Guaranteed notes	**279**	231
— Lease liabilities	**1**	2
— Other finance costs	**3**	3
	351	314
Less:		
— Interest capitalised into properties under development/held for sale/held for development	**(62)**	(82)
— Interest capitalised into property, plant and equipment	**(18)**	(25)
— Exchange gain on guaranteed notes	**(25)**	(31)
	246	176

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.17 per cent per annum in 2020 (2019: 4.29 per cent).

8. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

HK$ million	2020	2019
Crediting:		
Gross rental income from investment properties	**240**	217
Less: outgoings	**(54)**	(52)
Charging:		
Cost of properties sold and sales related expenses	**1,253**	408
Cost of inventories sold	**6**	3
Depreciation of property, plant and equipment	**188**	41
Depreciation of right-of-use assets		
— properties	**46**	42
— equipment and others	**1**	1
Loss on disposal of properties, plant and equipment	**2**	2
Staff costs (note i), included in:		
— cost of sales	**24**	28
— general and administrative expenses	**201**	216
Contributions to defined contribution retirement schemes, included in:		
— cost of sales	**1**	1
— general and administrative expenses	**5**	6
Share-based compensation expenses	**3**	6
Auditor's remuneration		
— audit services	**4**	4
— non-audit services	**1**	1
Net foreign exchange (gain)/loss	**(33)**	4
Variable lease payment expenses	**9**	—
Short-term leases expenses	**2**	4

(i) For the year ended December 31, 2020, the Group received subsidies from governments to aid the economic pressures from COVID-19 to the Group of which HK$9 million and HK$6 million are netted off with staff costs in the Group's cost of sales and general and administrative expenses respectively.

9. DIRECTORS' EMOLUMENTS

Directors' emoluments comprise the aggregate amounts paid/payable by the Group to each of the directors of the Company in connection with their employment as directors of the Company or its subsidiaries undertaking during the year.

	2020						
HK$'000	Directors' fee	Salaries	Bonuses (note i)	Allowances	Benefits in kind (note ii)	Employer's contribution to retirement scheme	Total
Executive Directors							
Li Tzar Kai, Richard	—	—	—	—	—	—	—
James Chan (note iii)	—	608	—	261	2	91	962
Hui Hon Hing, Susanna	—	—	—	—	—	—	—
Lam Yu Yee (note iv)	—	8,415	5,519	4,008	60	1,010	19,012
Non-executive Directors							
Dr. Allan Zeman, *GBM, GBS, JP*	180	—	—	—	—	—	180
Lee Chi Hong, Robert (note v)	4,000	—	—	—	141	—	4,141
Independent Non-executive Directors							
Chiang Yun	240	—	—	—	—	—	240
Prof Wong Yue Chim, Richard, *SBS, JP*	240	—	—	—	—	—	240
Dr. Vince Feng	240	—	—	—	—	—	240
	4,900	9,023	5,519	4,269	203	1,101	25,015

9. DIRECTORS' EMOLUMENTS — CONTINUED

	2019						
HK$'000	Directors' fee	Salaries	Bonuses	Allowances	Benefits in kind (note ii)	Employer's contribution to retirement scheme	Total
Executive Directors							
Li Tzar Kai, Richard	—	—	—	—	—	—	—
James Chan (note iii)	—	5,306	2,100	2,274	14	796	10,490
Hui Hon Hing, Susanna	—	—	—	—	—	—	—
Lam Yu Yee (note iv)	—	5,966	—	2,847	29	716	9,558
Non-executive Directors							
Dr. Allan Zeman, *GBM, GBS, JP*	180	—	—	—	—	—	180
Lee Chi Hong, Robert (note v)	2,591	3,565	—	1,178	131	390	7,855
Independent Non-executive Directors							
Chiang Yun	240	—	—	—	—	—	240
Prof Wong Yue Chim, Richard, *SBS, JP*	240	—	—	—	—	—	240
Dr. Vince Feng	240	—	—	—	—	—	240
	3,491	14,837	2,100	6,299	174	1,902	28,803

9. DIRECTORS' EMOLUMENTS — CONTINUED

(i) Refers to bonuses in respect of 2019, paid in 2020.

(ii) Benefits in kind mainly includes medical insurance premium.

(iii) Mr. James Chan has retired from his position as an Executive Director of the Company with effect from February 11, 2020.

(iv) Mr. Lam Yu Yee has been appointed as an Executive Director of the Company with effect from May 8, 2019. He is also the Deputy Chairman and Group Managing Director of the Company.

(v) Mr. Lee Chi Hong, Robert has been appointed as Non-Executive Chairman of the Company and re-designated from an Executive Director to a Non-Executive Director of the Company with effect from May 8, 2019.

(vi) No director offered to waive the basic salary and housing benefits during the year of 2020 (2019: Nil).

(vii) No directors' emoluments, retirements benefits, payments or benefits in respect of termination of directors' services have been paid to or are receivable by the directors during the year ended December 31, 2020 (2019: Nil).

(viii) No consideration was provided to or receivable by third parties for making available directors' services during the year ended December 31, 2020 (2019: Nil).

(ix) Save as disclosed in the Report of The Directors, there are no loans, quasi-loans and other dealings entered into by the Company or its subsidiary undertaking of the Company, in favour of directors, their controlled bodies corporate and connected entities during the year ended December 31, 2020 (2019: Nil).

(x) Save as disclosed in the Report of The Directors, there are no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2020 (2019: Nil).

10. FIVE TOP-PAID EMPLOYEES

a. Of the five highest paid individuals in the Group, one (2019: two) are directors whose emoluments are set out in note 9. Details of the emoluments of the remaining four highest paid individuals (2019: three) are as follows:

HK$ million	2020	2019
Salaries and other short-term employee benefits	**19**	14
Bonuses (note i)	**10**	8
Retirement scheme contributions	**2**	1
Shared-based compensation expenses	**2**	2
	33	25

(i) Bonuses were included in the year of payment.

b. The emoluments of the remaining four individuals (2019: three) are within the emolument ranges as set out below:

	Number of individuals	
	2020	**2019**
HK$2,500,001 — HK$3,000,000	**—**	1
HK$3,000,001 — HK$3,500,000	**1**	—
HK$3,500,001 — HK$4,000,000	**—**	1
HK$4,000,001 — HK$4,500,000	**1**	—
HK$5,000,001 — HK$5,500,000	**1**	—
HK$18,500,001 — HK$19,000,000	**—**	1
HK$20,000,001 — HK$20,500,000	**1**	—
	4	3

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2019: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

HK$ million	2020	2019
Hong Kong profits tax		
— Provision for current year	**1**	—
Income tax outside Hong Kong		
— Provision for current year	**54**	51
Deferred income tax (note 29)	**(5)**	14
	50	65

11. INCOME TAX — CONTINUED

Reconciliation between income tax and the Group's accounting loss at applicable tax rates is set out below:

HK$ million	2020	2019
Loss before taxation	**(699)**	(230)
Notional tax on loss before taxation, calculated at applicable tax rate of 16.5 per cent (2019: 16.5 per cent)	**(115)**	(38)
Effect of different tax rates of subsidiaries operating overseas	**(16)**	(16)
Tax effect of income not subject to taxation	**(21)**	(11)
Tax effect of expenses not deductible for taxation purposes	**146**	94
Tax losses for which no deferred income tax asset was recognised	**43**	28
Utilisation of previously unrecognised tax losses	**(3)**	(22)
Withholding tax	**22**	24
Others	**(6)**	6
Income tax	**50**	65

12. DIVIDEND

HK$ million	2020	2019
Final dividend	**—**	—

There was no final dividend paid for 2019 and 2020.

13. LOSS PER SHARE

The calculations of basic and diluted loss per share based on the share capital of the Company are as follows:

	2020	2019
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(749)**	(295)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,296,022**	1,587,296,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. On September 29, 2020, bonus convertible notes in an aggregate amount of HK$592,533,333.20 at the conversion price of HK$0.50 per share were converted into 1,185,066,666 shares of the Company.

As at December 31, 2020, bonus convertible notes in an aggregated amount of HK$592,552,133.20 (2019: HK$18,800) have been converted into 1,185,104,266 shares of the Company (2019: 37,600 shares). The outstanding bonus convertible notes in an aggregated amount of HK$20,021.20 (2019: HK$592,553,354.40) at the conversion price of HK$0.50 per share convertible into 40,042 (2019: 1,185,106,708) have been included in the weighted average number of ordinary shares for calculating the basic loss per share for the years ended December 31, 2020 and December 31, 2019, respectively.

14. INVESTMENT PROPERTIES

HK$ million	2020	2019
At January 1,	**3,762**	3,599
Additions	**12**	10
Exchange differences	**(75)**	153
At December 31,	**3,699**	3,762

(i) As at December 31, 2020, value added tax receivables of HK$222 million and HK$21 million (December 31, 2019: HK$249 million and HK$17 million) in relation to the land acquisition and construction of the investment property were included in non-current assets "Prepayments and other receivables" and current assets "Prepayment, deposits and other current assets" in the consolidated statement of financial position respectively.

14. INVESTMENT PROPERTIES — CONTINUED

a. The following tables analyse the investment properties which are carried at fair value. The different levels are defined as follows:

- — Quoted prices (unadjusted) in active markets for identical assets (level 1)
- — Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- — Inputs for asset that are not based on observable market data (level 3)

	Fair value measurement as at December 31, 2020		
HK$ million	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurement			
Investment properties			
— Indonesia	**—**	**—**	**3,643**
— Hong Kong	**—**	**—**	**56**

	Fair value measurement as at December 31, 2019		
HK$ million	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurement			
Investment properties			
— Indonesia	—	—	3,706
— Hong Kong	—	—	56

During the years ended December 31, 2020 and December 31, 2019, there were no transfers between different levels.

14. INVESTMENT PROPERTIES — CONTINUED

Information about level 3 fair value measurements

Investment properties	Valuation technique	As at December 31, 2020 Significant unobservable inputs	Rate
— Indonesia	**Income approach**	**Capitalisation rate**	**7%**
		Monthly gross market rent:	
		for office	**Rp 370,000/sq.m. to Rp 478,000/sq.m.**
		for retail	**Rp 330,000/sq.m. to Rp 607,000/sq.m.**
— Hong Kong	**Income approach**	**Capitalisation rate**	**4.5%**
		Monthly gross market rent	**HK$10/sq. ft.**

Investment properties	Valuation technique	As at December 31, 2019 Significant unobservable inputs	Rate
— Indonesia	Income approach	Capitalisation rate	7%
		Monthly gross market rent:	
		for office	Rp 370,000/sq.m. to Rp 480,000/sq.m.
		for retail	Rp 330,000/sq.m. to Rp 600,000/sq.m.
— Hong Kong	Income approach	Capitalisation rate	4.5%
		Monthly gross market rent	HK$10/sq. ft.

Rp represents Indonesian rupiah

14. INVESTMENT PROPERTIES — CONTINUED

For the years ended December 31, 2020 and December 31, 2019, the fair value of investment property in Indonesia were determined by an independent professional valuer using the income approach. These valuations took into account expected market rental and capitalisation rate. A significant change in the expected market rental or capitalisation rate would result in a significant change in the fair value of the investment property.

For the investment property in Hong Kong, the usage of this property is constrained by the Group's undertaking to the lessee. Management has performed valuation of the fair value as at December 31, 2020 and December 31, 2019 using the income approach assuming such constraint and the current tenancy agreement will continue in its existing manner in the foreseeable future. The valuation takes into account expected market rental and capitalisation rate. A significant change in the expected market rental or capitalisation rate would result in a significant change in the fair value of the investment property.

b. The carrying amount of investment properties is analysed as follows:

HK$ million	2020	2019
Held in Indonesia		
On medium-term lease (10–50 years)	**3,643**	3,706
Held in Hong Kong		
On long lease (over 50 years)	**56**	56
	3,699	3,762

15. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Land	Buildings and structures	Other plant and equipment	Construction in progress	Total
At January 1, 2019					
At cost	84	251	268	940	1,543
Less: Accumulated depreciation and impairment	—	(41)	(174)	—	(215)
Net book value	84	210	94	940	1,328
Net book value at January 1, 2019	84	210	94	940	1,328
Additions	1	38	38	1,753	1,830
Transfer upon completion	—	2,296	144	(2,440)	—
Transfer between property, plant and equipment, properties under development/held for sale and properties held for development	184	—	—	89	273
Depreciation	—	(14)	(27)	—	(41)
Disposal	—	(1)	(1)	—	(2)
Exchange differences	3	(7)	1	7	4
Net book value at December 31, 2019	272	2,522	249	349	3,392
At December 31, 2019					
At cost	272	2,576	442	349	3,639
Less: Accumulated depreciation and impairment	—	(54)	(193)	—	(247)
Net book value	272	2,522	249	349	3,392
Net book value at January 1, 2020	**272**	**2,522**	**249**	**349**	**3,392**
Additions	**—**	**17**	**18**	**182**	**217**
Transfer upon completion	**—**	**77**	**133**	**(210)**	**—**
Provision for impairment (note 6)	**—**	**(221)**	**(8)**	**—**	**(229)**
Depreciation	**—**	**(115)**	**(73)**	**—**	**(188)**
Disposal	**—**	**—**	**(2)**	**—**	**(2)**
Exchange differences	**4**	**112**	**12**	**19**	**147**
Net book value at December 31, 2020	**276**	**2,392**	**329**	**340**	**3,337**
At December 31, 2020					
At cost	**276**	**2,558**	**579**	**340**	**3,753**
Less: Accumulated depreciation and impairment	**—**	**(166)**	**(250)**	**—**	**(416)**
Net book value	**276**	**2,392**	**329**	**340**	**3,337**

15. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

The Group has two hotels located in Hokkaido, Japan. The carrying values of the hotel properties included in property, plant and equipment were HK$2,202 million as at December 31, 2020.

In view of the global economic slowdown arising from travel restrictions due to the COVID-19 pandemic, the Group's hotel operations incurred losses for the year ended December 31, 2020. Management considers each hotel to be separate cash generating units ("CGU") and performed impairment assessments, where impairment indicators exists, to determine the recoverable amounts of the hotel properties.

Management carried out impairment assessments to estimate recoverable amounts of the hotel properties as at December 31, 2020. The recoverable amounts of the hotel properties are determined as higher of the CGU's value-in-use and fair value less cost of disposal. Management considered value-in-use calculations as the recoverable amounts. These calculations use the discounted cash flow method based on the financial forecast generally covering a 5-year period which is considered appropriate to take into account the business cycle and growth plans. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates.

Based on management assessments, the recoverable amount of the Park Hyatt Niseko, Hanazono is HK$1,798 million as at December 31, 2020 which results in a recognition of impairment losses of HK$229 million (2019: Nil) for the year. The key assumptions and the effect of the reasonable possible changes in key assumptions on the calculation of value-in-use of the hotel properties are disclosed below.

Management determined forecasted revenue based on past performance and its expectations for market development. The key assumptions used in the cash flow projections, namely average occupancy rate ranging from 29% to 47% and average daily room rate ranging from JPY74,000 to JPY115,000. The post-tax discount rate of 7% and capitalisation rate of 4% reflects specific risks relating to the relevant businesses.

If the average daily room rate increased/decreased by 1% and all other variables are held constant, the recoverable amount of the hotel properties would be increased/decreased by HK$37 million as at December 31, 2020.

If the occupancy rate is 1% higher/lower and all other variables are held constant, the recoverable amount of the hotel properties would be increased by HK$120 million/decreased by HK$112 million as at December 31, 2020.

If the discount rate is 0.5% higher/lower and all other variables are held constant, the recoverable amount of the hotel properties would be decreased by HK$30 million/increased by HK$37 million as at December 31, 2020.

If the capitalisation rate is 0.1% higher/lower and all other variables are held constant, the recoverable amount of the hotel properties would be decreased by HK$37 million/increased by HK$45 million as at December 31, 2020.

16. RIGHT-OF-USE ASSETS

HK$ million	2020	2019
Properties	**29**	75
Equipment and others	**1**	2
	30	77

The Group leases various properties, equipment and vehicles. Lease contracts are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

There were no additions to the right-of-use assets during the year ended December 31, 2020 (2019: HK$19 million).

During the year ended December 31, 2020, total cash outflow for leases amounted to HK$46 million (2019: HK$46 million).

17. PROPERTIES UNDER DEVELOPMENT/HELD FOR SALE/HELD FOR DEVELOPMENT

a. *Properties under development/held for sale*

HK$ million	2020	2019
At January 1,	**1,712**	1,134
Additions	**57**	1,026
Charged to income statement	**(1,158)**	(408)
Transfer between properties under development/held for sale, properties held for development and property, plant and equipment	**—**	(31)
Exchange differences	**13**	(9)
At December 31,	**624**	1,712
Less: Properties under development classified as non-current assets	**(345)**	(291)
Properties under development/held for sale classified as current assets	**279**	1,421

(i) Properties under development classified as non-current assets as at December 31, 2020 represent the freehold land under development in Japan which is held by an indirect wholly-owned subsidiary. Management performed an assessment of the net realisable value of the development project in Japan included in properties under development as at December 31, 2020. The assessment was based on the discounted cash flow forecast of the development project which involved the use of significant estimates and assumptions such as selling prices, construction costs and discount rate. Changes in the assumptions adopted in the valuation may result in a change in future estimate of the net realisable value of the development project.

(ii) Properties under development/held for sale classified as current assets as at December 31, 2020 consists of HK$135 million (December 31, 2019: HK$1,309 million) for the branded residences completed and held for sale in Hokkaido, Japan and HK$144 million (December 31, 2019: HK$112 million) for the first phase development project under construction in Thailand.

17. PROPERTIES UNDER DEVELOPMENT/HELD FOR SALE/HELD FOR DEVELOPMENT — CONTINUED

b. Properties held for development

HK$ million	2020	2019
At January 1,	**2,653**	2,822
Additions	**59**	28
Transfer between properties held for development, properties under development/held for sale and property, plant and equipment	**—**	(242)
Exchange differences	**—**	45
At December 31,	**2,712**	2,653

Properties held for development as at December 31, 2020 represent freehold land in Thailand and a property in Hong Kong, for which the Group intends to hold for future development projects.

As at December 31, 2020, the carrying amount of the freehold land in Thailand of HK$483 million (December 31, 2019: HK$479 million) was recorded under properties held for development in the consolidated statement of financial position.

During the year ended December 31, 2019, a portion of land and construction costs in relation to the construction of a golf course and a golf and country club of HK$195 million and the land in relation to the first phase development of HK$47 million have been transferred from properties held for development to property, plant and equipment and properties under development respectively.

17. PROPERTIES UNDER DEVELOPMENT/HELD FOR SALE/HELD FOR DEVELOPMENT — CONTINUED

b. Properties held for development — Continued

Management performed an assessment on the net realisable value of the property interest together with the costs of improvements spent on the land in Thailand included in properties held for development as at December 31, 2020. The valuation was based on the direct comparison approach which involved the use of estimates and assumptions including the recent sales prices of similar properties with adjustments for any difference in nature, locality and condition of the properties. Changes in the assumptions adopted in the valuation may result in a change in future estimates of the net realisable value of the development project.

As at December 31, 2020, the carrying amount of the property in Hong Kong of HK$2,229 million (December 31, 2019: HK$2,174 million) was recorded as properties held for development in the consolidated statement of financial position. Management performed an assessment of the net realisable value of the development project based on the residual method which involved the use of significant estimates and assumptions such as expected selling prices and construction costs. Changes in the assumptions adopted in the valuation may result in a change in future estimates of the net realisable value of the development project.

18. GOODWILL

HK$ million	2020	2019
Costs:		
At January 1, and December 31,	**101**	101
Accumulated impairment losses:		
At January 1, and December 31,	**(96)**	(96)
Carrying amount:		
At December 31,	**5**	5

Goodwill is allocated to the Group's cash-generating unit identified as follows:

HK$ million	2020	2019
Other business — property management	**3**	3
Other business — laundry services	**2**	2
At December 31,	**5**	5

Management performed assessments on the recoverable amounts of the property management and laundry services based on the cash flow forecast of the businesses. Management considered that there was no impairment of goodwill in relation to these operations as at December 31, 2020 (December 31, 2019: Nil).

The impairment losses recognised in prior years related to the property development division and ski operation.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$ million	2020	2019
Listed equity securities, Hong Kong	3	6
Less: Amount classified as current assets	(2)	(5)
	1	1

20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS

a. The following list contains only the particulars of subsidiaries and entities which principally affected the results, assets and liabilities of the Group for the years ended 2019 and 2020. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation/ operations	Principal activities	Amount of issued capital/ registered capital	Equity interest attributable to the Company	
				Directly	Indirectly
City Charm Enterprises Limited 城創企業有限公司	British Virgin Islands	Investment holding	US$1	—	100%
Cyber-Port Limited 資訊港有限公司	Hong Kong	Property development	HK$2	—	100%
Dong Si (Holdings) Limited 盈科優質創建有限公司	Hong Kong	Provision of leasing and financing	HK$1	—	100%
Easy Treasure Limited	Cayman Islands	Investment holding	US$10,000	—	90.01%
Garhing Investment Company, Limited[1] 家卿置業有限公司	Hong Kong	Property development and investment	HK$500,000	—	50%
Harmony TMK	Japan	Property development	JPY13,395,000,000 (JPY345,000,000 specified capital and JPY13,050,000,000 preferred capital)	—	100%

DECEMBER 31, 2020 (Amount expressed in Hong Kong dollars unless otherwise stated)

20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

Company name	Place of incorporation/ operations	Principal activities	Amount of issued capital/ registered capital	Equity interest attributable to the Company Directly	Equity interest attributable to the Company Indirectly
Interstate Holdings Limited	Hong Kong	Property development management	HK$3,975,836,001	—	100%
Ipswich Holdings Limited	British Virgin Islands	Investment holding	US$2	100%	—
Island South Property Management Limited 南盈物業管理有限公司	Hong Kong	Property management	HK$2	—	100%
Kabushiki Kaisha Niseko Management Service	Japan	Property management and travel agency	JPY10,000,000	—	100%
Madeline Investments Limited 盈科大衍地產發展有限公司	Hong Kong	Trademark registrant	HK$2	—	100%
Melati Holding Limited	British Virgin Islands	Investment holding	US$93,612	—	100%
Million Base Properties Limited[1] 百寶置業有限公司	Hong Kong	Property development and investment	HK$2	—	50%
Million Basis Property Limited[1]	British Virgin Islands/ Hong Kong	Property development and investment	US$1	—	50%
Nihon Harmony Resorts KK	Japan	Ski operation	JPY405,000,000	—	100%
PCPD Capital Limited	Cayman Islands	Investment holding and financing	US$1	—	100%
PCPD Facilities Management Limited	Hong Kong	Provision of property management services	HK$2	—	100%

20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

Company name	Place of incorporation/ operations	Principal activities	Amount of issued capital/ registered capital	Equity interest attributable to the Company Directly	Indirectly
PCPD Real Estate Agency Limited	Hong Kong	Property sales agency	HK$2	—	100%
PCPD Services Limited	Hong Kong	Provision of administrative services	HK$2	—	100%
PCPD South Village Hotel Co., Ltd.	Japan	Hotel management	JPY199,000,000	—	100%
PCPD Wealth Limited	Hong Kong	Provision of financial services	HK$1	—	100%
Phang-nga Leisure Limited	Thailand	Property holding and leasing	THB2,000,000	—	93.23%
Phang-nga Paradise Limited	Thailand	Property holding and leasing	THB2,000,000	—	93.23%
PT. Prima Bangun Investama	Indonesia	Property development and management	US$26,000,000	—	100%
Rafflesia Investment Limited	British Virgin Islands	Investment holding	US$90,010	—	100%
Silvery Sky Holdings Limited	British Virgin Islands	Investment holding	US$2	—	50%
Talent Master Investments Limited	British Virgin Islands/ Hong Kong	Property investment	US$1	—	100%
Triple8 KK	Japan	Property development and hotel management	JPY199,000,000	—	100%
White Pacific Limited[1]	British Virgin Islands/ Hong Kong	Property development and investment	US$1	—	50%

Note:

1 These companies are wholly-owned subsidiaries of Silvery Sky Holdings Limited (collectively the "Silvery Sky Group").

20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

b. Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised consolidated financial information for Silvery Sky Group which are subsidiaries that have non-controlling interests that are material to the Group. Silvery Sky Group holds the property located at 3–6 Glenealy, Central, Hong Kong.

Summarised consolidated statement of financial position as at December 31, 2020 is as follows:

	Silvery Sky Group	
HK$ million	**2020**	**2019**
Non-current assets	**2,080**	2,041
Current assets	**129**	129
Total assets	**2,209**	2,170
Current liabilities	**(2,350)**	(2,288)
Net liabilities	**(141)**	(118)

Summarised consolidated financial information for the year ended December 31, 2020 is as follows:

	Silvery Sky Group	
HK$ million	**2020**	**2019**
Loss before income tax	**(23)**	(70)
Income tax	**—**	—
Loss for the year	**(23)**	(70)

20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

b. Summarised financial information of subsidiaries with material non-controlling interests — Continued

Summarised consolidated cash flows for the year ended December 31, 2020 are as follows:

HK$ million	Silvery Sky Group 2020	2019
Net cash generated from/(used in) operating activities	**29**	(1)
Net cash used in investing activities	**(39)**	(2)
Net cash generated from financing activities	**9**	3
Net decrease in cash and cash equivalents	**(1)**	—
Cash and cash equivalents at January 1	**3**	3
Cash and cash equivalents at December 31	**2**	3

The information above represents amounts before inter-company eliminations and Group consolidation adjustments.

21. CURRENT ASSETS AND LIABILITIES

a. Sales proceeds held in stakeholders' accounts

The balance represents proceeds from the sales of properties of the Group's property development project that are retained in bank accounts opened and maintained by stakeholders. The amount is related to the residential portion of the Cyberport project and will be transferred to specific bank accounts, which are restricted in use, pursuant to certain conditions and procedures as stated in the Cyberport Project Agreement. The sales proceeds held in stakeholders' accounts of HK$504 million as at December 31, 2020 (December 31, 2019: HK$506 million) are exposed to minimal credit risk.

b. Restricted cash

Pursuant to the Cyberport Project Agreement, the Group has a restricted cash balance of approximately HK$102 million. As at December 31, 2020 (December 31, 2019: HK$98 million) held in specific bank accounts. The uses of the funds are specified in the Cyberport Project Agreement.

In addition to the above, restricted cash balance also included cash of HK$11 million (December 31, 2019: HK$496 million) held in specific reserve accounts pledged for bank borrowing purposes (note 22(b) and (e)).

21. CURRENT ASSETS AND LIABILITIES — CONTINUED

c. *Trade receivables, net*

(i) Aging analysis

An aging analysis of trade receivables, based on invoice date and before provision for receivable impairment, is set out below:

HK$ million	2020	2019
1–30 days	**23**	24
31–90 days	**4**	—
	27	24

Trade receivables have a normal credit period which ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period. Details about the Group's impairment policies are provided in note 2(l).

(ii) The Group applies the HKFRS 9 (2014) simplified approach to measure loss allowance for expected credit losses which uses a lifetime expected loss allowance for trade receivables.

As at December 31, 2020, trade receivables of HK$27 million (December 31, 2019: HK$24 million) are exposed to credit risk. No trade receivable was impaired (December 31, 2019: Nil) and no provision was made as at December 31, 2020 (December 31, 2019: Nil). The amounts in trade receivables balance relate to a wide range of customers for whom there is no recent history of default.

As at December 31, 2020, no trade receivables were past due but not impaired (December 31, 2019: Nil).

(iii) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

HK$ million	2020	2019
Hong Kong dollar	**2**	2
Japanese yen	**15**	16
Indonesian rupiah	**10**	6
	27	24

21. CURRENT ASSETS AND LIABILITIES — CONTINUED

d. Trade payables

An aging analysis of trade payables, based on invoice date, is set out below:

HK$ million	2020	2019
1–30 days	**14**	49

e. Accruals and other payables

Accruals and other payables mainly represents accruals for construction costs and operating costs for property development project, retention payables, interest payable and tenants deposits.

22. BORROWINGS

HK$ million	2020	2019
Borrowings, repayable within a period		
— not exceeding one year	**818**	1,528
— over one year, but not exceeding two years	**5,421**	11
— over two years, but not exceeding five years	**1,932**	7,321
— over five years	**32**	40
	8,203	8,900
Representing:		
Guaranteed notes (note a)	**5,410**	5,435
Bank borrowings (notes b, c, d and e)	**2,793**	3,465
	8,203	8,900
Secured	**2,793**	3,465
Unsecured	**5,410**	5,435

22. BORROWINGS — CONTINUED

a. On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued US$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On October 3, 2019, further guaranteed notes (the "Further Notes") of US$130 million was issued by PCPD capital. The Notes and the Further Notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and the Company.

b. On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028"). The maturity date of the JPY Facility is December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached. The carrying value of the borrowing as at December 31, 2020 represents the outstanding principal amount of JPY1,200 million (equivalent to HK$90 million) (December 31, 2019: JPY1,350 million) offset by the deferred arrangement fees of JPY29 million (equivalent to HK$2 million) (December 31, 2019: JPY37 million).

c. On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million. On March 20, 2020, the loan was extended with maturity date in March 2021 ("HK$ Loan 2021"). Such facility is payable on demand and secured by the land and buildings, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries of the Company. As at December 31, 2020, the carrying value of the borrowing represents the outstanding principal amount of HK$808 million (December 31, 2019: HK$808 million) offset by the deferred loan arrangement costs of HK$1 million (December 31, 2019: HK$1 million).

d. On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million by December 31, 2019. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. On February 14, 2020, the Borrower has fully repaid JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary (the "Hotel Operator"). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of December 31, 2020, none of the covenants were breached and the carrying value of the total borrowings of the JPY Facility 2023 represents the outstanding principal amount of JPY10,000 million (equivalent to HK$749 million) (December 31, 2019: JPY20,000 million) offset by the deferred loan arrangement costs of JPY124 million (equivalent to HK$9 million) (December 31, 2019: JPY205 million).

e. On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK$1,170 million ("HK$ Loan 2024"). The maturity date of the HK$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$1,170 million (December 31, 2019: HK$1,170 million) offset by the deferred loan arrangement costs of HK$11 million (December 31, 2019: HK$15 million).

23. DEFERRED INCOME AND CONTRACT LIABILITIES

HK$ million	2020	2019
Deferred income:		
Rental income from investment properties	**91**	135
Less: Amount classified as non-current liabilities	**(34)**	(58)
	57	77
Contract liabilities:		
Deposits received from sale of properties and other revenue receipt in advance	**33**	364
Deferred income and contract liabilities classified as current liabilities	**90**	441

24. AMOUNT PAYABLE TO THE HKSAR GOVERNMENT UNDER THE CYBERPORT PROJECT AGREEMENT

Pursuant to the Cyberport Project Agreement, the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") shall be entitled to receive payments of approximately 65 per cent from the surplus cashflow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. The amount payable to the HKSAR Government is based on surplus from sales proceeds of the residential portion after the development costs of the Cyberport project. As at December 31, 2020, the amount attributable to the HKSAR Government share under Cyberport Project Agreement was HK$330 million (December 31, 2019: HK$325 million).

25. ISSUED EQUITY

	The Group	
	Number of shares	**Issued equity HK$ million**
	(note a)	**(note a)**
Ordinary shares of HK$0.50 each at January 1 and December 31, 2019	402,189,313	2,846
Shares issued for exercise of bonus convertible note (note c)	1,185,066,666	592
Ordinary shares of HK$0.50 each at December 31, 2020	**1,587,255,979**	**3,438**

a. Due to the use of reverse acquisition basis of accounting (as stated in note 2(d) to the 2004 Financial Statements), the amount of issued equity, which includes share capital and share premium in the consolidated statement of financial position, represents the amount of issued equity of the legal subsidiary, Ipswich Holdings Limited, at the date of completion of the reverse acquisition plus equity changes attributable to the Group after the reverse acquisition. The equity structure (i.e. the number and type of shares) reflects the equity structure of the legal parent, Pacific Century Premium Developments Limited, for all accounting periods presented.

25. ISSUED EQUITY — CONTINUED

b. The following is the movement in the share capital of the Company:

	The Company	
	Number of shares	Nominal value HK$ million
Authorised:		
Ordinary shares of HK$0.50 each at December 31, 2019 and December 31, 2020	**4,000,000,000**	**2,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each at January 1 and December 31, 2019	402,189,313	201
Shares issued for exercise of bonus convertible note (note c)	1,185,066,666	592
Ordinary shares of HK$0.50 each at December 31, 2020	**1,587,255,979**	**793**

c. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on May 2, 2012 and the announcements dated May 16, 2012 and June 21, 2012 in relation to the bonus issue of shares (with a right for shareholders to elect to receive bonus convertible notes in lieu of bonus shares), 405,378,544 bonus shares of HK$0.10 each were allotted and issued on June 22, 2012 on the basis of four (4) bonus shares for every one (1) issued share held by the qualifying shareholders of the Company whose names appeared on the register of members of the Company on May 30, 2012 (other than those qualifying shareholders who had elected to receive bonus convertible notes in lieu of all of their entitlement to the bonus shares).

Bonus convertible notes of HK$592,572,154.40 at the conversion price of HK$0.10 per share were issued by the Company on June 22, 2012. Immediately after the share consolidation which took effect on June 25, 2012, the conversion price of the bonus convertible notes was adjusted from HK$0.10 per share to HK$0.50 per share pursuant to the terms of the applicable deed poll. On September 29, 2020, bonus convertible notes in an aggregate amount of HK$592,533,333.20 at the conversion price of HK$0.50 per share were converted into 1,185,066,666 shares of the Company.

The remaining bonus convertible notes in an aggregated amount of HK$20,021.20 are unlisted and irredeemable but have conversion rights entitling the noteholders to convert into an equivalent number of shares as the number of bonus shares which the noteholders would otherwise be entitled to receive under the bonus issue had the shareholder not elected for the bonus convertible notes. The bonus convertible notes do not carry voting rights at any general meeting of shareholders of the Company. The noteholders can exercise the conversion rights at any time after the issue of bonus convertible notes, subject to the terms and conditions of the applicable deed poll constituting the bonus convertible notes. The bonus convertible notes were recognised as equity and are presented in "Convertible notes reserve" in the consolidated statement of changes in equity. Upon conversion of the bonus convertible notes, the equivalent amount was converted into issued share capital.

26. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement schemes

Employees of the Group are entitled to join the defined contribution retirement schemes operated by PCCW, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution retirement scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at specific rates pursuant to the rules of the MPF scheme. Contributions to the scheme vest immediately upon the completion of the service in the relevant service period.

27. SHARE-BASED PAYMENT TRANSACTIONS

a. Share option scheme

The Group operates a share option scheme which was adopted by the Company's shareholders at the annual general meeting of the Company held on May 6, 2015, and became effective on May 7, 2015, following its approval by PCCW's shareholders (the "2015 Scheme"). The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015.

Under the 2015 Scheme, save as disclosed in the Report of the Directors, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The exercise price of the options under the 2015 Scheme is determined by the board of directors of the Company in its absolute discretion but in any event shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the last five days preceding the date of grant on which days it has been possible to trade shares on the Stock Exchange. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Scheme and any other share option schemes of the Company must not exceed 30 per cent of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the 2015 Scheme shall not (when aggregated with any shares subject to any grants made after May 7, 2015 pursuant to any other share option schemes of the Company) exceed the limit of 10 per cent of the issued share capital of the Company on May 7, 2015 (or some other date if renewal of this limit is approved by shareholders). The maximum entitlement of any eligible person (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the 2015 Scheme is the total number of shares issued and to be issued upon exercise of all options granted and to be granted in any 12-month period up to and including the date of the latest grant up to a maximum of one (1) per cent of the shares of the Company in issue at the relevant time. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

No share options had been granted or exercised under the 2015 Scheme during the years ended December 31, 2020 and December 31, 2019. There were no share options outstanding as at December 31, 2020 and December 31, 2019.

DECEMBER 31, 2020 (Amount expressed in Hong Kong dollars unless otherwise stated)

27. SHARE-BASED PAYMENT TRANSACTIONS — CONTINUED

b. Share award scheme

PCCW established two employee share incentive award schemes under which awards of shares may be granted to employees of participating subsidiaries. The Group is a participating member of the PCCW employee share incentive award schemes. Under both schemes, following the making of an award to an employee, the relevant shares are held on trust for the employee and then vest over a period of time provided that he/she remains employee of the Group at the relevant time and satisfies any other conditions specified at the time the award is made.

Details of the accounting policies for the shares granted to the employees of the Group are described in note 2(v)(iv). Since PCCW shares and HKT share stapled units were purchased, the Group recognised it as cash-settled share-based payment transaction.

A summary of movements in PCCW shares and HKT share stapled units held under the share award scheme that is attributable to the Group during the year is as follows:

	Number of PCCW shares	
	2020	**2019**
At January 1,	**686,792**	405,564
Purchased from market by the trustee at average market price of HK$4.65 per PCCW share in 2019	**—**	1,140,000
Vested	**(570,095)**	(858,772)
At December 31,	**116,697**	686,792

	Number of HKT share stapled units	
	2020	**2019**
At January 1,	**299,956**	183,912
Purchased from market by the trustee at average market price of HK$10.83 per HKT share stapled unit in 2020	**107,000**	510,000
Vested	**(254,930)**	(393,956)
At December 31,	**152,026**	299,956

27. SHARE-BASED PAYMENT TRANSACTIONS — CONTINUED

b. Share award scheme — Continued

Details of PCCW shares and HKT share stapled units awarded pursuant to the Purchase Scheme during the year and the PCCW shares and HKT share stapled units unvested, are as follows:

(i) Movements in the number of unvested PCCW shares and HKT share stapled units and their related weighted average fair value on the date of award

	2020		2019	
	Weighted average fair value on date of award HK$	Number of PCCW shares	Weighted average fair value on date of award HK$	Number of PCCW shares
At January 1,	**4.69**	**686,331**	4.63	1,312,631
Awarded (note iii)	**4.64**	**276,600**	4.74	232,472
Vested	**4.68**	**(570,095)**	4.62	(858,772)
At December 31, (note ii)	**4.67**	**392,836**	4.69	686,331

	2020		2019	
	Weighted average fair value on date of award HK$	Number of HKT share stapled units	Weighted average fair value on date of award HK$	Number of HKT share stapled units
At January 1,	**10.67**	**299,679**	9.95	604,136
Awarded (note iii)	**11.86**	**106,293**	12.38	89,499
Vested	**10.37**	**(254,930)**	9.95	(393,956)
At December 31, (note ii)	**12.01**	**151,042**	10.67	299,679

DECEMBER 31, 2020 (Amount expressed in Hong Kong dollars unless otherwise stated)

27. SHARE-BASED PAYMENT TRANSACTIONS — CONTINUED

b. Share award scheme — Continued

(ii) Details of unvested PCCW shares and HKT share stapled units as at December 31,

Date of award	Vesting period	Fair value on the date of award HK$	Number of PCCW shares 2020	Number of PCCW shares 2019
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	**—**	453,859
April 17, 2019	April 17, 2019 to April 17, 2020	4.74	**—**	116,236
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	**116,236**	116,236
April 16, 2020	April 16, 2020 to April 16, 2021	4.64	**138,300**	—
April 16, 2020	April 16, 2020 to April 16, 2022	4.64	**138,300**	—
			392,836	686,331

Date of award	Vesting period	Fair value on the date of award HK$	Number of HKT share stapled units 2020	Number of HKT share stapled units 2019
April 10, 2018	April 10, 2018 to April 10, 2020	9.94	**—**	210,180
April 17, 2019	April 17, 2019 to April 17, 2020	12.38	**—**	44,750
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	**44,749**	44,749
April 16, 2020	April 16, 2020 to April 16, 2021	11.86	**53,147**	—
April 16, 2020	April 16, 2020 to April 16, 2022	11.86	**53,146**	—
			151,042	299,679

The PCCW shares and HKT share stapled units unvested at December 31, 2020 had a weighted average remaining vesting period of 0.64 years (2019: 0.45 years) and 0.64 years (2019: 0.43 years), respectively.

27. SHARE-BASED PAYMENT TRANSACTIONS — CONTINUED

b. Share award scheme — Continued

(iii) Details of PCCW shares and HKT share stapled units awarded during the year

Date of award	Vesting period	Fair value on the date of award HK$	Number of PCCW shares 2020	Number of PCCW shares 2019
April 17, 2019	April 17, 2019 to April 17, 2020	4.74	—	116,236
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	—	116,236
April 16, 2020	April 16, 2020 to April 16, 2021	4.64	**138,300**	—
April 16, 2020	April 16, 2020 to April 16, 2022	4.64	**138,300**	—
			276,600	232,472

Date of award	Vesting period	Fair value on the date of award HK$	Number of HKT share stapled units 2020	Number of HKT share stapled units 2019
April 17, 2019	April 17, 2019 to April 17, 2020	12.38	—	44,750
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	—	44,749
April 16, 2020	April 16, 2020 to April 16, 2021	11.86	**53,147**	—
April 16, 2020	April 16, 2020 to April 16, 2022	11.86	**53,146**	—
			106,293	89,499

27. SHARE-BASED PAYMENT TRANSACTIONS — CONTINUED

c. *Share-based payment transactions with cash alternatives*

(i) On May 23, 2013, the Group entered into the Supporting Agreement with an affiliated company of the seller of a plot of land in Jakarta, Indonesia (the "Supporter") under which the Group will settle part of the supporting services received for the value of US$23 million (subject to certain downward adjustments) by means of issuing non-voting, non-contributory but dividend participating class B shares that represent not more than 6.388 per cent (subject to certain downward adjustments) of the share capital in an indirect wholly-owned subsidiary ("Melati") (the "Supporter Shares") and by assignment of the shareholder's loan to Melati (the "Supporter Shareholder's Loans").

In addition, the Group granted to the Supporter a right (but not an obligation) to require the Group, after the expiry of 5 years from the date on which the Supporter Shares are issued and the Supporter Shareholder's Loans are assigned, to purchase from the Supporter all (but not part) of the Supporter Shares and to take assignment of all the then outstanding Supporter Shareholder's Loans (the "Supporter Put Option"). The Supporter Put Option was granted at no premium.

When the consolidated net asset value of Melati is positive, the Supporter Shareholder's Loans are to be assigned at the face amount and the Supporter Shares are to be issued at its corresponding portion of the consolidated net asset value of Melati; or when the consolidated net asset value of Melati is negative, the Supporter Shareholder's Loans are to be assigned at the face amount after deduction of the absolute value of the corresponding portion of the consolidated net asset value of Melati, and the Supporter Shares are to be issued at nominal value of US$1.

A financial liability would be recognised in the consolidated statement of financial position in relation to the Supporter Put Option until the exercise of the Supporter Put Option by the Supporter. Management considered the fair value of the Supporter Shares is positively correlated to the consolidated net asset value of Melati which was minimal as at December 31, 2020, therefore the fair value of the Supporter Shares was nil (December 31, 2019: Nil).

27. SHARE-BASED PAYMENT TRANSACTIONS — CONTINUED

c. Share-based payment transactions with cash alternatives — Continued

(ii) On May 23, 2013, the Group entered into the Investor Subscription Agreement and the Investor Loan Purchase Agreement with an independent third party (the "Investor"), the Group will allot to the Investor 9.99 per cent shares of an indirect wholly-owned subsidiary ("Rafflesia") (the "Investor Shares") and assign to the Investor 9.99 per cent of all the unsecured and non-interest bearing shareholder's loan to Rafflesia (the "Investor Shareholder's Loans") at the time when the occupation permit of the premium Grade A office building in Jakarta, Indonesia is issued. This arrangement will allow the Investor to have 9.99 per cent of the Group's Indonesian development project at a consideration of an amount which represents the same percentage (9.99 per cent) of the total investment cost incurred by the Group in the Indonesian development project plus finance charge from the completion date of the land acquisition to the time the shares are subscribed.

In addition, the Group granted to the Investor a right (but not an obligation) to require the Group, at any time on or after May 23, 2023, to purchase from the Investor all (but not part) of the Investor Shares and to take assignment of all the then outstanding Investor Shareholder's Loans (the "Investor Put Option"). The Investor Put Option enables a structure which allows the Investor to realise its investment and prevents unknown parties from becoming a stakeholder in Rafflesia, so far as practicable. The Investor Put Option was granted at no premium.

When the consolidated net asset value of Rafflesia is positive, Investor Shareholder's Loans are to be assigned at the face amount and the Investor Shares are to be issued at its corresponding portion of the consolidated net asset value of Rafflesia; or when the consolidated net asset value of Rafflesia is negative, the Investor Shareholder's Loans are to be assigned at the face amount after deduction of the absolute value of the corresponding portion of the consolidated net asset value of Rafflesia (in case of any shortfall after the deduction), the Investor is required to settle the shortfall. The Investor Shares are to be issued at nominal value of US$1.

Management considered the fair value of the Investor Shares is positively correlated to the consolidated net asset value of Rafflesia which was minimal as at December 31, 2020, therefore the fair value of the Investor Shares was nil (December 31, 2019: Nil).

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

a. Statement of Financial Position of the Company

HK$ million	Note	2020	2019
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		**2,870**	2,870
Current assets			
Prepayments		**1**	—
Amounts due from subsidiaries		**7,040**	7,051
		7,041	7,051
Current liabilities			
Accruals and other payables		**1**	2
Amounts due to subsidiaries		**4,703**	4,702
		4,704	4,704
Net current assets		**2,337**	2,347
Total assets less current liabilities		**5,207**	5,217
Net assets		**5,207**	5,217
CAPITAL AND RESERVES			
Share capital	25 (b)	**793**	201
Reserves	28 (b)	**4,414**	5,016
		5,207	5,217

Benjamin Lam Yu Yee
Director

Hui Hon Hing, Susanna
Director

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — CONTINUED

b. Reserves of the Company

	2020				
HK$ million	**Share premium**	**Capital redemption reserve**	**Convertible notes reserve**	**Retained earnings**	**Total**
Balance at January 1, 2020	**2,447**	**1**	**592**	**1,976**	**5,016**
Total comprehensive loss for the year	**—**	**—**	**—**	**(10)**	**(10)**
Issue of new shares from the conversion of bonus convertible notes (note 25)	**—**	**—**	**(592)**	**—**	**(592)**
Balance at December 31, 2020	**2,447**	**1**	**—**	**1,966**	**4,414**

	2019				
HK$ million	**Share premium**	**Capital redemption reserve**	**Convertible notes reserve**	**Retained earnings**	**Total**
Balance at January 1, 2019	2,447	1	592	1,984	5,024
Total comprehensive loss for the year	—	—	—	(8)	(8)
Balance at December 31, 2019	2,447	1	592	1,976	5,016

29. DEFERRED INCOME TAX

a. The components of deferred income tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

HK$ million	Accelerated tax depreciation	Revaluation of properties	Others	Total
At January 1, 2019	3	6	21	30
Charged to the consolidated statement of comprehensive income	—	—	14	14
At December 31, 2019	3	6	35	44
At January 1, 2020	**3**	**6**	**35**	**44**
Credited to the consolidated statement of comprehensive income	**—**	**—**	**(5)**	**(5)**
At December 31, 2020	**3**	**6**	**30**	**39**

There were no deferred income tax assets netted off against deferred income tax liabilities recognised in the consolidated statement of financial position as at December 31, 2020 (December 31, 2019: Nil). As at December 31, 2020, deferred tax liabilities of HK$14 million (2019: HK$10 million) was recognised on undistributed profits of subsidiaries.

b. The deferred income tax liabilities as at December 31, 2020 of HK$39 million (December 31, 2019: HK$44 million) are expected to be recovered after more than 12 months.

c. The Group has unrecognised estimated tax losses of HK$843 million as at December 31, 2020 (December 31, 2019: HK$633 million) to be carried forward for deduction against future taxable profits. HK$441 million (December 31, 2019: HK$250 million) tax losses relating to subsidiaries operating outside Hong Kong would be expired within one to nine years from December 31, 2020 (December 31, 2019: one to nine years). The remaining HK$402 million (December 31, 2019: HK$383 million) tax losses are mainly related to Hong Kong companies which can be carried forward indefinitely.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of loss before taxation to net cash used in operating activities

HK$ million	2020	2019
Loss before taxation	**(699)**	(230)
Adjustments for:		
— interest income	**(9)**	(20)
— finance costs	**246**	176
— depreciation of property, plant and equipment	**188**	41
— depreciation of right-of-use assets	**47**	43
— provision for impairment on property, plant and equipment	**229**	—
— loss on disposal of property, plant and equipment	**2**	2
Operating profit before changes in working capital	**4**	12
Decrease/(increase) in operating assets:		
— properties under development/held for sale	**1,114**	(536)
— properties held for development	**(10)**	(28)
— financial assets at fair value through profit or loss	**3**	(2)
— non-current prepayment and other receivables	**24**	(4)
— inventories	**(7)**	(6)
— prepayments, deposits and other current assets	**302**	(160)
— sales proceeds held in stakeholders' accounts	**2**	1
— restricted cash	**(4)**	(4)
— trade receivables, net	**(4)**	(5)
— amounts due from related companies	**—**	(2)
(Decrease)/increase in operating liabilities:		
— trade payables, accruals and other payables	**(408)**	738
— deferred income and contract liabilities	**(335)**	103
— amount payable to the HKSAR Government under the Cyberport Project Agreement	**5**	3
— other non-current payables	**(2)**	4
Cash generated from operations	**684**	114
Interest received	**10**	20
Tax paid		
— outside Hong Kong	**(48)**	(52)
Net cash generated from operating activities	**646**	82

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS — CONTINUED

b. *Movements of assets and liabilities in the consolidated statement of financial position arising from financing activities*

2020

HK$ million	Restricted cash (note 21(b))	Interest payables (included in accruals and other payables)	Lease liabilities	Bank and other borrowings	Total
At January 1, 2020	(496)	92	78	8,900	8,574
Cash flows in financing activities					
Payment for modification of guaranteed notes	—	—	—	(20)	(20)
Repayment for bank borrowing	—	—	—	(719)	(719)
Payment for borrowing costs	—	(323)	—	—	(323)
Payment for lease liabilities (including interest)	—	—	(46)	—	(46)
Decrease in restricted cash	485	—	—	—	485
Cash flows in financing activities	485	(323)	(46)	(739)	(623)
Non-cash changes	—	312	2	42	356
At December 31, 2020	(11)	81	34	8,203	8,307

2019

HK$ million	Restricted cash (note 21(b))	Interest payables (included in accruals and other payables)	Lease liabilities	Bank and other borrowings	Total
At January 1, 2019	(221)	67	103	6,094	6,043
Cash flows in financing activities					
Proceeds from bank borrowings, net	—	—	—	1,809	1,809
Proceeds from issue of guaranteed notes	—	—	—	1,023	1,023
Repayment for bank borrowing	—	—	—	(11)	(11)
Payment for borrowing costs	—	(260)	—	—	(260)
Payment for lease liabilities (including interest)	—	—	(46)	—	(46)
Increase in restricted cash	(274)	—	—	—	(274)
Cash flows in financing activities	(274)	(260)	(46)	2,821	2,241
Non-cash changes	(1)	285	21	(15)	290
At December 31, 2019	(496)	92	78	8,900	8,574

31. COMMITMENTS

a. *Capital*

Capital expenditure contracted for at the end of the year but not yet incurred was as follows:

HK$ million	2020	2019
Contracted but not provided for		
Property development projects	**106**	116
Investment properties	**6**	18
Property, plant and equipment	**290**	152
	402	286

b. *Short-term leases*

As at December 31, 2020, the total minimum future lease payments under short-term leases were payable as follows:

HK$ million	2020	2019
Land and buildings	**1**	2

c. *Lease receivables*

As at December 31, the total future minimum lease receivables under non-cancellable operating leases were as follows:

Land and buildings (as lessor)

HK$ million	2020	2019
Within one year	**178**	91
After one year but within two years	**167**	140
After two years but within three years	**146**	134
After three years but within four years	**74**	124
After four years but within five years	**52**	71
After five years	**117**	183
	734	743

The leases typically run for an initial period of one to ten years (2019: one to ten years). Nine (2019: Nine) of the leases includes contingent rentals with reference to the revenue of the lessee operations.

32. GUARANTEES

Save as disclosed elsewhere in the consolidated financial statements,

a. On March 9, 2017, the Company had executed guarantees in favour of the note holders of the Notes, in principal amount of US$570 million issued by PCPD Capital and additional guarantees were granted by the Company on October 3, 2019 for the issuance of Further Notes with principal amount of US$130 million (note 22(a)).

b. On March 19, 2018, the Company had executed guarantee in favour of the lender whom agreed to make available a loan facility up to an aggregate amount of HK$808 million (note 22(c)).

c. On March 29, 2018, the Company had executed guarantee in favour of the lender whom agreed to make available term loan facilities up to an aggregate amount of JPY10,000 million (2019: JPY20,000 million) (note 22(d)).

d. On June 11, 2019, the Company had executed guarantee in favour of the lender whom agreed to make available term loan facilities up to an aggregate amount of HK$1,170 million (note 22(e)).

33. BANKING FACILITY

The banking facility as at December 31, 2020 was HK$2,817 million (December 31, 2019: HK$3,498 million) of which all have been drawn down by the Group (2019: nil remained undrawn) (note 22).

Security pledged for the banking facilities includes:

HK$ million	2020	2019
Investment properties	**3,643**	3,706
Property, plant and equipment	**2,290**	2,563
Properties under development/held for sale	**—**	1,309
Properties held for development	**2,229**	2,174
Restricted cash	**11**	496
Cash and cash equivalents	**163**	75
	8,336	10,323

34. CONTINGENT LIABILITIES

During the year ended December 31, 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia received a tax assessment notice ("2018 Assessment") from the ITO in relation to the creditability of VAT arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK$100.6 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed by the ITO in 2018, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million (approximately HK$100.6 million) and a penalty of IDR183,834.4 million (approximately HK$100.6 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK$201 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings during the year ended December 31, 2020 and the process is still ongoing. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at December 31, 2020. No provision of impairment has been recognised for the VAT balance as at December 31, 2020.

35. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW which owns 40.03 per cent (2019: 70.88 per cent) of the Company's shares. Mr Li Tzar Kai, Richard's associates own 15.22 per cent (2019: Nil) of the Company's shares. The remaining 44.75 per cent (2019: 29.12 per cent) of the shares are held by public as at December 31, 2020.

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties:

a. During the year, the Group had the following significant transactions with related companies:

HK$ million	2020	2019
Sales of services:		
— Fellow subsidiaries		
Office leases rental	**2**	2
— Related companies		
Facilities and project management services	**10**	16
Office leases rental	**15**	16
Other services	**1**	1
Purchases of services:		
— Fellow subsidiaries		
Corporate services	**4**	4
Information technology and other logistic services	**3**	2
Interest expenses of guaranteed notes:		
— Immediate holding company	**26**	21

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business.

35. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

b. Details of key management compensation

HK$ million	2020	2019
Salaries and other short-term employee benefits	**13**	21
Bonuses	**6**	2
Directors' fee	**5**	3
Retirement scheme contribution	**1**	2
	25	28

c. Year-end balances arising from sales of services

HK$ million	2020	2019
Receivables from related parties:		
— Fellow subsidiaries	**1**	1
— Related companies	**6**	6
	7	7

36. FINANCIAL RISK MANAGEMENT

The Group's investment policy is to prudently invest all surplus funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments.

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Financial risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's business units. The Board provides principal policies for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

a. Foreign exchange risk

At the reporting date, the Group's exposure to foreign currency risk arising from significant recognised financial assets or liabilities is as follows:

HK$ million	2020 US dollar	2019 US dollar
Cash and cash equivalents and short-term deposits	**725**	327
Guaranteed notes (including interest)	**(5,490)**	(5,516)
	(4,765)	(5,189)

The Group operates in the Asia-Pacific region and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The risk management policy is to have the liquid assets mainly denominated in Hong Kong dollars and US dollars. As US dollar is pegged to Hong Kong dollar, the Group does not expect any significant movements in the US dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. In addition, the Group may use derivative financial instruments to hedge the risk exposure when appropriate.

The Group has certain investments in foreign operations, where the net assets are exposed to foreign currency translation risk. The Group's currency exposures with respect to these operations are mainly from Thai baht, Japanese yen and Indonesian rupiah.

36. FINANCIAL RISK MANAGEMENT — CONTINUED

a. Foreign exchange risk — Continued

Sensitivity analysis for foreign currency exposure

The table below summaries the impact on profit after tax and equity if Hong Kong dollar had appreciated by, one (1) per cent against US dollar or five (5) per cent against other currencies including Thai baht, Japanese yen and Indonesian rupiah at December 31, 2020. This represents the translation of financial assets and liabilities at the end of the reporting period. It assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as 2019.

	2020		2019	
HK$ million	**Increase/ (decrease) in profit after tax**	**Decrease in other comprehensive income for currency translation**	**Increase/ (decrease) in profit after tax**	**Decrease in other comprehensive income for currency translation**
US dollar	**48**	**—**	52	—
Thai baht	**—**	**(46)**	—	(40)
Japanese yen	**(1)**	**(126)**	(1)	(126)
Indonesian rupiah	**—**	**(174)**	—	(181)

b. Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay outstanding amounts in full when due. The Group has policies in place to ensure that the pre-sale of the properties is binding and enforceable. For the property investment and other business segments, the Group obtained rental deposits from the tenants while for other businesses, certain customers are fellow subsidiaries and related parties which the credit risk is relatively low and other individual customers are with good repayment history. Overall expected credit risk of trade and other receivable and receivables due from fellow subsidiaries and related parties is considered minimal.

As at December 31, 2020, the Group has a certain concentration of credit risk as 24 per cent (December 31, 2019: 51 per cent) of the total trade receivables was due from three customers.

36. FINANCIAL RISK MANAGEMENT — CONTINUED

b. Credit risk — Continued

The credit quality of cash and cash equivalents, short-term deposits and restricted cash balances can be assessed by reference to Moody's ratings (if available) as follows:

Cash and cash equivalents

HK$ million	2020	2019
Aa1	**48**	—
Aa2	**48**	32
Aa3	**266**	—
A1	**677**	1,230
A2	**3**	—
A3	**5**	1
Baa1	**60**	10
Baa2	**12**	23
Unrated	**83**	82
	1,202	1,378

Restricted cash

HK$ million	2020	2019
Aa1	**102**	98
A1	**11**	496
	113	594

36. FINANCIAL RISK MANAGEMENT — CONTINUED

c. Liquidity risk

Due to the dynamic nature of the Group's underlying businesses, prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet operational needs and possible investment opportunities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on most current interest rates at the end of the reporting period).

HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying Amount
At December 31, 2020						
Trade payables	14	—	—	—	14	14
Accruals and other payables	713	—	—	—	713	713
Amount payable to the HKSAR Government under the Cyberport Project Agreement	330	—	—	—	330	330
Short-term borrowings (including interest)	809	—	—	—	809	807
Current portion of long-term borrowings (including interest)	11	—	—	—	11	11
Long-term borrowings (including interest)	207	5,597	1,984	35	7,823	7,385
Lease liabilities	27	3	4	—	34	34
Other non-current payables	—	6	—	178	184	178

36. FINANCIAL RISK MANAGEMENT — CONTINUED

c. *Liquidity risk — Continued*

HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying Amount
At December 31, 2019						
Trade payables	49	—	—	—	49	49
Accruals and other payables	1,068	—	—	—	1,068	1,068
Amount payable to the HKSAR Government under the Cyberport Project Agreement	325	—	—	—	325	325
Short-term borrowings (including interest)	1,527	—	—	—	1,527	1,517
Current portion of long-term borrowings (including interest)	11	—	—	—	11	11
Long-term borrowings (including interest)	219	324	7,628	45	8,216	7,372
Lease liabilities	46	27	7	—	80	78
Other non-current payables	—	5	—	179	184	175

36. FINANCIAL RISK MANAGEMENT — CONTINUED

d. Interest rate risks

Apart from the cash and cash equivalents and short-term deposits which are for working capital, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group's borrowings.

	2020		2019	
	Effective interest rate	**HK$ million**	**Effective interest rate**	**HK$ million**
Fixed rate borrowings:				
Guaranteed notes (note 22)	**4.96%**	**5,410**	4.84%	5,435
Variable rate borrowings:				
Bank borrowings (note 22)	**1.75%**	**2,793**	3.23%	3,465
Total borrowings		**8,203**		8,900

If interest rate on variable rate borrowings had increased/decreased by 50 basis points as at December 31, 2020 (December 31, 2019: 50 basis points) with all other variables held constant, the Group's finance costs recognised in the consolidate statement of comprehensive income for the year ended December 31, 2020 would have increased/decreased by approximately HK$14 million (December 31, 2019: HK$10 million) and the Group's loss after tax would have increased/decreased by approximately HK$14 million (December 31, 2019: HK$10 million), taking into account of the capitalisation of finance cost into properties under development/held for sale, properties held for development and property, plant and equipment.

37. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as short-term and long-term borrowings less cash and cash equivalents. Adjusted capital comprises the issued equity, retained earnings and non-controlling interests.

The debt-to-adjusted capital ratio at both December 31, 2019 and 2020 are as follows:

HK$ million	**2020**	**2019**
Short-term borrowings	**807**	1,517
Current portion of long-term borrowings	**11**	11
Long-term borrowings	**7,385**	7,372
Less: Cash and cash equivalents	**(1,202)**	(1,378)
Net debt	**7,001**	7,522
Issued equity	**3,438**	2,846
Add: Retained earnings	**849**	1,598
Add: Non-controlling interests	**133**	133
Adjusted capital	**4,420**	4,577
Debt-to-adjusted capital ratio	**158%**	164%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the financial covenant requirements under the loan facility agreements with external parties (note 22).

38. FAIR VALUE ESTIMATION

a. Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- — Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- — Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- — Inputs for asset or liability that are not based on observable market data (level 3).

See note 14 for disclosure of the investment properties that are measured at fair value.

	2020			
HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	**3**	**—**	**—**	**3**

	2019			
HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	6	—	—	6

During the years ended December 31, 2020 and December 31, 2019, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the years.

38. FAIR VALUE ESTIMATION — CONTINUED

b. Fair value of financial liabilities measured at amortised cost

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2020 and December 31, 2019 except as follows:

	2020		2019	
HK$ million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Guaranteed notes (note 22)	**5,410**	**5,451**	5,435	5,517

The fair values of short-term and long-term borrowings are the net present value of the estimated future cash flows discounted at the prevailing market rates. The fair values are within level 2 of the fair value hierarchy.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets at fair value through profit or loss.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments;

— Dealer quoted price, taking into account of the spot and forward exchange rates that are quoted in an active market and the observable yield curves and the implied volatility; and

— Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

Results

HK$ million	2020	2019	2018	2017 (Restated)	2016*
Revenue by Principal Activities					
Property development	**1,364**	618	—	—	—
Hotel operation	**84**	2	—	—	—
Property investment	**240**	217	140	5	2
All-season recreational activities	**88**	111	108	96	92
Other businesses	**67**	67	52	63	80
	1,843	1,015	300	164	174
Operating loss	**(462)**	(74)	(228)	(286)	(357)
Finance (costs)/income, net	**(237)**	(156)	(161)	(27)	11
Loss before taxation	**(699)**	(230)	(389)	(313)	(346)
Income tax	**(50)**	(65)	(48)	(26)	(18)
Loss attributable to equity holders of the Company	**(749)**	(295)	(437)	(339)	(364)

Assets and Liabilities, as at December 31,

HK$ million	2020	2019	2018	2017 (Restated)	2016 (Restated)
Total non-current assets	**10,394**	10,486	8,843	5,925	4,716
Total current assets	**2,599**	4,683	2,729	4,469	1,663
Total current liabilities	**(2,003)**	(3,462)	(1,039)	(932)	(1,141)
Net current assets	**596**	1,221	1,690	3,537	522
Total assets less current liabilities	**10,990**	11,707	10,533	9,462	5,238
Total non-current liabilities	**(7,643)**	(7,683)	(6,427)	(4,801)	(293)
Net assets	**3,347**	4,024	4,106	4,661	4,945

* Comparative figures of the results for the years ended December 31, 2016 have not been restated to reflect the impacts of adoption of HKFRS 15, HKFRS 16 and HKFRS 9 (2014) as the directors are of the opinion that it is costs over benefits to do so.

SCHEDULE OF PRINCIPAL PROPERTIES

1 *Major completed properties for investment and/or own use and/or held for sale*

Address	Use	Approximate gross site area (sq.m.)	Approximate gross floor area (sq.m.)	Category of the lease*	Percentage held by the Group
Indonesia					
Pacific Century Place, Jakarta Jenderal Sudirman Kav. No. 52–53 Lot 10 Senayan, Kebayoran Baru South Jakarta, Indonesia	Commercial	9,277	93,316	Medium	100%
Japan					
Midtown Niseko 91–17 Aza Yamada, Kutchan-cho, Abuta-gun, Hokkaido, 044–0081 Japan	Eco Hotel	9,920	13,618	Freehold	100%
Park Hyatt Niseko Hanazono Residences	Residential	24,118	2,060	Freehold	100%
Park Hyatt Niseko, Hanazono	Hotel	20,448	29,650	Freehold	100%
Hanazono Edge 328–1 Aza Iwaobetsu, Kutchan-cho, Abuta-gun, Hokkaido, Japan	Ski Center	3,002	2,295	Freehold	100%
Thailand					
Golf and Country Club	Recreational and F&B facilities for the golfers, residents and visitors	15,600	3,405	Freehold	93.23%

* Medium term: Lease less than 50 years but not less than 10 years

2 Major properties under development for sale and/or own use

Address	Use	Stage of completion	Expected date of completion	Approximate gross site area (sq.m.)	Approximate gross floor area (sq.m.)	Percentage held by the Group
Japan						
328–1 Aza Iwaobetsu, Kutchan-cho, Abuta-gun, Hokkaido, Japan	Commercial and residential	Design phase	N/A	723,808	526,997	100%
Thailand						
First phase development	Residential	Construction in progress	N/A	57,000	6,836	93.23%
Golf Course	Golf Course	Construction in progress	2021	554,370	2,840	93.23%
Moo 3 & 9, Thai Muang Subdistrict, Thai Muang District Phang-nga, 82120 Thailand						

3 Major properties held for development

Address	Approximate gross site area (sq.m.)	Percentage held by the Group
Thailand		
Moo 3 & 9, Thai Muang Subdistrict, Thai Muang District Phang-nga, 82120 Thailand	1,074,081	93.23%
Hong Kong		
3-6 Glenealy, Central, Hong Kong	1,090	50%

INVESTOR RELATIONS

LISTING

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and the stock code is 00432.

Any enquiries regarding the Company should be addressed to the Investor Relations at the address provided on this page.

BOARD OF DIRECTORS

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Benjamin Lam Yu Yee *(Deputy Chairman and Group Managing Director)*
Hui Hon Hing, Susanna

Non-Executive Directors

Lee Chi Hong, Robert *(Non-Executive Chairman)*
Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP
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